



THE INDEPENDENT

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Major battles to calm Tory turmoil

COLIN BROWN
Chief Political Correspondent

John Major yesterday tried to hold his party together with a grim warning to the warring factions they would face certain defeat at an election unless they united behind his leadership.

Clearly fearing more defections which could force him into an early general election this year, he praised the two Tory deserters, Emma Nicholson and Alan Howarth, as "nice people".

Flatly contradicting the challenges made by his party chairman, Brian Mawhinney, Mr Major said they were within their rights not to resign their seats and fight by-elections after defecting. "They're both nice people, they've both got decent instincts and I like both of them," Mr Major said on BBC Television's *Breakfast with Frost*.

In his efforts to unite both the right and left wings of his party, he also praised the Eurosceptic Michael Portillo, whose attack on Euro-federalists in the Tory party plugged Conservative into more turmoil.

"If the Conservative Party does not realise the opportunities that lie ahead of it and throw it away by disputes within itself, then it will lose the election," Mr Major said. He was backed by former minister Michael Mates who said the splits could be "suicidal".

Tony Blair, the Labour leader, who is in Singapore, will today seek to deepen Labour's appeal to wavering One Nation Tories by committing Labour to improvements in the welfare state to give the underprivileged a stake in the economy. He will tell Singapore businessmen that helping more people to take work will cut crime and improve cohesion in society.

Mr Major's olive branch to the Tory left is certain to turn

the stomachs of some on the radical right of his party, who fear he is becoming a hostage to the left's threats.

The turmoil continued as Peter Thurnham, the MP for Bolton North East, threatened to stand as an independent Conservative at the next election in the Lake District seat being contested by Mr Major's former "spin doctor", Tim Collins. Another One Nation Tory MP, Andrew Rowe, denied he was ready to desert the Tories.

Moving the Tories off the defensive and on to their own



agenda, Mr Major announced the introduction of a contract between schools and parents - an initiative which led to a charge of stealing Labour's clothes by David Blunkett, Labour's education spokesman.

Gillian Shephard, the Secretary of State for education, will unveil the details today with plans to allow schools to increase the selection of their pupils from 10 per cent to 15 per cent; the direct payment of funds to more schools; and re-

duction in bureaucracy. In a sop to the right, Mr Major confirmed that privatisation of the Royal Mail - batted in the face of a backbench rebellion by One Nation Tories - would be put back on the agenda, as a possible item for the Tory election manifesto.

The IRA and Sinn Fein leaders were also urged by Mr Major to call off the wave of killings and beatings which are threatening the Northern Ireland peace process. He said Gerry Adams, the Sinn Fein president, could stop the killings.

Mr Major used the interview to firmly place the Tory Party on the centre-right of British politics. He said Peter Temple-Morris, a leading member of the One Nation Tories, and Mr Portillo both had a place in the "broad church" of the Tory Party. "It would be weaker if the Conservative Party did not have both of those wings of its opinion available for debate and I'm determined that we keep both wings," he said.

His determination to hold his party together will strengthen the view on the left of the party that they can use the Prime Minister's slender majority to reverse what they believe has been a right-wing lurch. His interview could lead to more pressure for a change of direction. He appeared relaxed and insisted: "We've weathered the storm." But he also raised in passing the leadership question which still haunts the party. The election was there to be won, he said. "I shall be there to win it."

Mr Blair - attacked by Mr Major for standing on an "empty box" of policy - described the Prime Minister as "pathetic" and said the Tories were "spoiled as a serious political governing force".

Leading article, page 12



Praying for peace: Yasser Arafat, the PLO chairman, participating in the traditional Christmas procession in the Church of the Nativity, Bethlehem, at midnight mass. Aftermath to Hamas bomber's death, page 10

Photograph: Reuters

Brewers plan code on alcoholic soft drinks

JOHN MCKIE

Brewers are to respond to criticism that their marketing of alcoholic "soft" drinks encourages under-age drinking among children. On Wednesday the Portman Group, the representative body of the brewing industry, will meet to discuss a government-backed voluntary code of practice designed to cut down on teenage drinking.

The brewing industry has come under fire for its marketing of "soft" drinks with alcoholic content which critics say has led to an increase in under-

age alcohol consumption. Last week Labour's consumer affairs spokesman, Nigel Griffiths, wrote to the Advertising Standards Authority and the director-general of fair trading for a full investigation into the marketing of such drinks.

He cited the example of the Caribbean drink Tilt, containing 5.5 per cent alcohol. Mr Griffiths claims companies are attempting to infiltrate the £6.2bn-a-year soft drinks market, with alcoholic drinks. Teenagers account for 26 per cent of the market.

Mr Griffiths said he would like to see a mandatory code

drawn up to ensure breweries act more responsibly in marketing their products.

He also wants immediate action to stop alcoholic drinks being sold in cold cabinets and convenience stores alongside soft drinks.

"If the objective is to blur the distinction between alcohol and popular soft drinks, then that raises serious questions," Mr Griffiths said.

"There are genuine fears of an explosion in teenage drinking. The real danger is that young people will move from soft drinks to alcohol and hardly realise it."

"By marketing alcohol in a range of soft drink flavours they are giving it an immediate appeal to people who have never drunk alcohol before."

Bass, which brews the alcohol-laden Hooper's Hooch, has been attacked, particularly after the news that it intends to introduce orange and blackcurrant versions of the drink, with an alcoholic content higher than Hooch's current 4.7 per cent.

Ian Morris, Bass's director of communications, said last night: "Their content will only be slightly higher, no more than 5 per cent. Hooch is targeted at

adults and there's no reason why alcoholic drinks with blackcurrant and orange shouldn't be thought of like a drink with apple, like cider, or a drink with grapes, like wine."

"We have worked with the Portman Group to cut down alcohol misuse, especially with under-age drinking."

Nigel Griffiths has already criticised the code for being "half-hearted". He said: "The code, such as it is, is a reflection of a new realism by brewers that if they don't get to grips with this themselves they know a Labour government won't hesitate to legislate."

Angry peers fight divorce Bill whip

Ministers are facing strong protests from Tory peers over the threat to impose a two-line whip on the Lord Chancellor's Bill to reform the divorce laws.

The former Tory Leader of the House of Lords, Baroness Young, a fervent opponent of divorce reform, and her supporters are demanding an explanation from the Lord Chancellor, Lord Mackay of Clashfern, over why he appears to be breaking a promise to allow a free vote on issues of conscience.

The Lord Chancellor's office last night confirmed a two-line whip would be imposed on part of the controversial Family Law Bill, but officials denied he was breaking a promise to allow a free vote when it begins its committee stage on Thursday.

"There is a two-line whip on some aspects of it. There always

was going to be. Some of the Lords are a little bit upset that there is going to be a two-line whip, but it is a request to be present. It is no more than that," said one government source.

The Lord Chancellor said at the second reading of the Bill in the Lords: "As a matter of principle, I and the Government consider that there should be a free vote on issues of conscience."

Lady Young is leading the attack on the Bill and has tabled amendments opposing the Lord Chancellor's plans to introduce "no fault" to divorce proceedings and to reintroduce the grounds of adultery and unreasonable behaviour that the Bill seeks to remove from the present law.

Another amendment would double by one year to two the



At loggerheads: Baroness Young and the Lord Chancellor



period of reflection and consideration during which couples using mediation procedures would be expected to resolve differences over finances or children.

The former Law Lord, Lord Simoo of Glaisdale, has also tabled what amounts to a completely new draft of the Bill on rights to the matrimonial home for a couple seeking divorce.

Sources close to the Lord Chancellor last night said it was thought both Lady Young's key amendments were covered by Lord Mackay's promise of a free vote on issues of conscience. If they are not, there is bound to be a row at the start of the committee stage, which promises to be highly contentious.

Senior Labour sources said the Government was "foolish" in trying to enforce a two-line whip on the Bill. "It has caused trouble, and that was entirely predictable," said one Labour source. The Opposition parties are allowing a free vote for their supporters on the Bill.

The opponents have tabled a barrage of more than 50 amendments in the hope of building up opposition to the measure before it reaches the House of Commons. John Patten, the former Education

Secretary, is preparing to oppose it in the Commons, with the threat of a wider rebellion.

Ministers could be forced to rely on the support of the Labour Party to get the Bill through Parliament. Labour have detailed reservations about parts of the Bill, but will not stand in the way of a measure to liberalise the family.

Lord Mackay was forced to abandon parts of the Bill on marital property and violence in the home when it caused a Tory backbench revolt. The Bill was revived in spite of some misgivings by ministers. John Major changed the Lord Chancellor's minister in the Commons to give it more of a chance. John Taylor was moved, and replaced by Jonathan Evans, who will be responsible for its passage in the Commons.

IN BRIEF

Jackpot trio

Camelot confirmed that three winners would share a £42m prize in Britain's biggest National Lottery payout. Page 3

Ferdinand saves day

An injury-time Les Ferdinand goal gave Newcastle United a 1-1 draw at Chelsea in the FA Cup third round. Reports, draw for fourth round, Sports Section



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The Major interview: Labour denounces plans for an education pact on pupils' behaviour and attendance

Parents will be asked to sign school contracts

FRAN ABRAMS
Education Correspondent

Schools will ask parents to sign contracts on their children's behaviour and attendance, the Prime Minister said yesterday. Labour denounced the move as evidence that the Government was in disarray over education, and said that it had already proposed school contracts. The idea was published by the Opposition last July along with plans for an extension of local management in schools, also raised by Mr Major on BBC1's *Breakfast with Frost* programme yesterday.

David Blunkett, Labour's education spokesman, said the new policy had been cobbled together to cover up the fact that two out of three pieces of education legislation due this year were likely to be dropped. Plans to privatise student loans have already been postponed for a year because of opposition from the banks, and Mr Blunkett said that proposals to force all church schools to opt out would be abandoned because the bishops would not accept them.

Nursery vouchers of £1,100 will be introduced in four areas, though three will have insufficient places to meet demand. Mr Major said that Gillian Shephard, the Secretary of State for Education, would announce details of the new parental contracts for schools. He did not give details but some schools already ask parents to sign statements saying that they will ensure that their children attend regularly, properly fed and dressed, and on time. Schools could also ask for parents' commitment to attend meetings, and to see that children's homework is done.

Mr Major also suggested that more money could be delegated to schools under local management, and that bureaucracy would be cut back. He defended plans to increase the proportion of children that can be selected by ability from 10 per cent to 15 per cent, details of which will be announced today by Mrs Shephard.

"The classless society is about increasing opportunity, about increasing choice, about sustaining the vivid tapestry of British life. Some people try to

Airing opinions: John Major (right) discussing the Tories' position with David Frost on BBC1's *Breakfast with Frost* yesterday. Photograph: Philip Meech

interpret it as though it was seeking a blanket uniformity. That is Socialism," he said. Mr Blunkett said that Mrs Shephard, who is believed to have resisted the proposals on student loans and on church

schools, had defeated the Prime Minister. "Mr Major is trying to disguise the fact that he has been humiliated by Gillian Shephard, who has recognised the dangers of the Government's original plans," he said.

Margaret Morrissey, spokeswoman for the National Federation of Parent Teacher Associations, said that there was a danger that schools would refuse to take pupils whose parents did not sign contracts.

There was also a danger that those who could not attend meetings because of work commitments would be penalised, and parents' views should be canvassed before the scheme went ahead, she said.

"We are not against anything which is going to be positive and an improvement," she added, "but what we are against is something being brought in quickly and without clear consultation."

Dissident 'is threat to stability in Gulf'

COLIN BROWN
Chief Political Correspondent

John Major yesterday said the Home Secretary was right to order the expulsion of the Saudi dissident Mohamed al Masari from Britain because he posed a threat to stability in the Gulf. The Prime Minister's remarks supporting the controversial move by Michael Howard are likely to be challenged by Mr Masari in court. He is seeking judicial review to overturn the Home Secretary's order to expel him to the Caribbean island of Dominica on 19 January.

Other ministers have linked the expulsion to the threat to British export orders for arms by the Saudi government and have admitted Mr Masari has done nothing illegal.

But Mr Major raised the stakes by warning that Mr

Masari's campaign by fax to bring down the Saudi royal family could destabilise the region. "Michael Howard was right to order his deportation. Mr al Masari is an illegal immigrant who has used his hospitality in this country to wage a campaign to try and bring down the Saudi Arabian regime. Saudi Arabia is crucial to the stability of the complete Gulf," Mr Major said.

"I believe that people who come here as illegal immigrants ... if they abuse that position and seek to create an unsettled relationship with our allies, I don't believe we should tolerate them to one side," Mr Major added.

Saudi Arabia's defence minister, Prince Sultan, also threatened yesterday to remove Mr Masari's Saudi citizenship. "Saudi citizenship is abolished when one shuns his religion, be-

liefs and country," Prince Sultan said in Riyadh, the Saudi Arabian capital.

A leaked internal memo from Sir Colin Chandler, chief executive of defence company Vickers, to a colleague, recorded the view in intelligence and business circles that "direct Saudi intervention" against Dr Masari could be "difficult" as he was the son of a cleric.

Dr Masari said on GMTV: "It is a polite way of saying it ... the meaning here must be assumed to be kidnapping or assassination." But he added he did not believe Sir Colin was involved in any such plot.

Dr Masari said he understood the Government's dilemma, particularly as jobs could be at stake. "I hope from the bottom of my heart it has been for job protection, not for a few big interests who are out to make a quick buck," he said.

The Conservative Party yesterday denied Chris Meyer, the Prime Minister's press secretary, is to be replaced by a political "spin doctor", when he returns to the diplomatic service.

The Tory leadership has rejected the idea of replacing Mr Meyer, a career diplomat, with a political apparition to match Alastair Campbell, the press secretary to Tony Blair.

Senior Conservative Party sources dismissed suggestions that Mr Meyer - who is being tipped to become ambassador in Bonn later this year - could be replaced by Charles Lewington, the recently-appointed press secretary at Central Office, or the Prime Minister's political secretary, Howell James.

The possibility of turning the Downing Street operation by the Prime Minister's press secretary into a more pro-active role was discussed by the Deputy Prime Minister, Michael Heseltine, and a team of ministers in charge of co-ordinating the Government's propaganda machine.

Some MPs would welcome the change, fearing that the Tories are at a disadvantage by having a civil servant running the Number 10 press office, and would like to see the job beefed up with a political operator at the helm.

Harold Wilson used Joe Haines, a journalist with Labour credentials - like Mr Campbell - to run the Downing Street press operation in the 1970s, when Labour last held power. MP Gerald Kaufman was also in the press office.

Downing Street has rejected a rival to Labour's PR chief, writes Colin Brown



Chris Meyer (left), is not being replaced with a political appointment to match Alastair Campbell (right), Labour's press chief

Baroness Thatcher brought in a civil servant, Bernard Ingham, who had previously acted as Tony Benn's chief press officer at the Department of Industry.

Sir Bernard became so close to Lady Thatcher that his off-the-record briefings were taken as "his master's voice". He was accused of oversteering the mark when he described John Biffen as a "semi-detached", but Mr Biffen was quickly dropped from the Cabinet.

Sir Bernard was also criticised for making it clear that Lord Howe, in a Cabinet reshuffle, had been given no extra powers as Deputy Prime Minister.

Lord Howe's humiliation at the hands of the Downing Street briefing operation may have contributed to the bitterness of his Commons attack on the Prime Minister, which led

to Lady Thatcher's fall from office.

It showed that politicising the post of Number 10 press secretary can backfire on a prime minister who is isolated.

Sir Bernard's power and influence in Downing Street was seen by some in the Cabinet to raise constitutional questions about the ability of the Prime Minister to distance herself from her own Cabinet.

When John Major entered Downing Street, he immediately changed the system, appointing his former Treasury press officer, Gus O'Donnell, to the job. They had worked closely together when Mr Major was Chancellor.

Mr O'Donnell ran the Downing Street press office as a civil servant, carefully avoiding briefing about party matters.

But he was criticised for being too "laid-back" by Tory MPs when Mr Major's leadership ran into a crisis of confidence in 1993, culminating in the leaked comments about Cabinet "bastards" and a report in *The Independent* that the Prime Minister had called some Euro-sceptics "barmy" on a visit to Japan and Malaysia.

Chris Meyer, a diplomat who had served in Moscow in the early 1980s, before being appointed as chief press officer at the Foreign Office, was plucked from the Embassy in Washington to replace Mr O'Donnell, who returned to the Treasury.

Mr Meyer, who made it clear when he arrived that he would serve for two years before returning to the diplomatic field, has been scrupulous in avoiding briefing on party issues.

Party briefing was left to Central Office spin doctors, led by Tim Collins. His decision to fight a safe Tory seat led to the short-lived appointment of Hugh Colver, who walked out late last year, complaining about being required to indulge in too much party propaganda under the new party chairman, Brian Mawhinney.

A ministerial source said the Cabinet Secretary, Sir Robin Butler, head of the civil service, would object if the Downing Street post became a political appointment. The Central Office operation, under Mr Lewington, a former political editor of the *Sunday Express*, has been tightened up to take on the highly effective Labour press machine, under Mr Campbell.

IN BRIEF

Mortuary woman 'progressing well'

The woman who takes to a mortuary after being mistakenly pronounced dead was "continuing to make good progress" at Hinchbrook Hospital in Huntingdon yesterday.

A hospital spokesman said Daphne Banks, 61, remembered nothing of her ordeal. She was taken to the hospital on New Year's Day after being pronounced dead by a GP. Mortuary staff noticed signs of life and transferred her to an intensive care ward where she recovered sufficiently to be moved to a general ward on Thursday.

The spokesman added: "It is too early to be able to talk about discharge. The doctors will be looking into that in the early part of this week." Mrs Banks and her family wanted to "maintain their privacy" and the hospital could not comment on the medical problem which led to the initial error.

Ulster arms plea

The Prime Minister is being urged by the Ulster Unionist MP Ken Maginnis to allow the international arms commission on Northern Ireland more time to complete its task. Mr Maginnis said the 18 January deadline for the three-man team, headed by US Senator George Mitchell - was working to should be extended by at least six weeks.

Dirtier beaches

The amount of litter on Britain's beaches in 1995, including debris from tourism, shipping and sewage, was almost double that of 1994 and treble the amount found in 1993, according to the Beachwatch 95 survey, which will publish its findings in next month's *Reader's Digest*.

Zoo slaughter

Vandals went on a killing spree at Plushet Park children's zoo in East Ham, east London, stamping to death 36 finches, budgerigars, canaries, cockatiels and a buzzard. Two youths were being questioned by police.

Woman lost at sea

Hopes are fading for a woman who disappeared from a Hull-Rotterdam ferry during a storm. The woman - a Dutch national - was reported missing from the *Norsun* at about 9pm on Saturday as it left the Humber.

End of the line?

The name British Rail sets out on a journey into history today. Travellers on trains in the three regions recently franchised off - Great Western, South West Trains and London, Tilbury and Southend Trains - will find that the name BR has been replaced with the corporate marketing label National Railways. If privatisation runs its course, the title British Rail will disappear from all 250 million tickets issued annually.

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Teenager out of ecstasy coma

JOJO MOYES

A teenager was recovering in a Stornoway hospital last night after spending 13 hours in a coma as a result of drug abuse.

David Graham, 17, was taken to the Western Isles hospital on Saturday morning after his mother found him having convulsions in his bedroom at their home in Newmarket, near Laxdale on the island of Lewis.

Police in Stornoway last night said that three youths were to be reported to the procurator fiscal in connection with the incident - the second drugs-induced coma involving a Lewis teenager in the past two months.

In November, 15-year-old David Stewart from Point spent 24 hours in a coma after consuming a cocktail of ecstasy and paracetamol at a rave in Stornoway.

David Graham's mother, Patricia Graham, a former nurse, said her son had come home shortly after midnight on Friday and told her he was going

straight to bed. "I then heard a noise about 3.45 am. I went into his bedroom and he was having convulsions," she said.

"From my nursing experience I knew things were far from right and I telephoned the doctor. As soon as he arrived he called an ambulance and David was taken to the emergency department."

"He was in a coma for 13 hours. However the hospital has now told me that he is recovering well."

"It was not ecstasy but I am not prepared to say what it was as the police are still making inquiries," she said.

Mrs Graham added: "David has come through this and realised his mistake. I hope it will be a warning to all teenagers never to take anything, especially when they do not know what it is."

As he lay in a coma, she had asked doctors to let his friends in to see him connected to the tubes and machines, hoping that it would act as a warning to them not to take drugs.



Helen Cousins: Recovering after a relapse last week

"I had no idea on Saturday morning whether David was going to live or not," she said. "They have to see what taking these awful things can do to you."

Meanwhile, Helen Cousins, who spent 24 hours in a drugs-induced coma, was out of intensive care last night, following a relapse.

Miss Cousins, 19, from Peterborough, had collapsed after taking the drug on New Year's Eve. Despite a rapid recovery, she had developed breathing problems on Friday and underwent a tracheotomy.

A 30-year-old man has been remanded in police custody following an appearance in court charged with supplying her with ecstasy.

'Intruder' dies of wounds

IAN MacKINNON

Prosecutors are to decide whether two householders will face charges after a suspected burglar was killed, the second to die in the space of a few days.

The two men were arrested and questioned at Holborn police station in central London following the death of a man from multiple wounds following a struggle at the men's flat.

Both men were released on bail until 6 March while detectives conduct their inquiries.

The latest incident comes as the Crown Prosecution Service is still deciding whether to press charges over the death of Robert Ingham, 22, who died when he was involved in a fight with Nick Baugartner, 53, at his home in Oakbrook, Derbyshire. After the struggle both men ended up in hospital, where Mr Ingham later died.

Mr Baugartner, who runs a business laying tennis courts, was treated for a broken wrist, heavy bruising and shock. However, in the wake of that

death and concern over a number of other incidents, it emerged that police forces are shortly to be told not to rush into prosecutions against those who hit out in self-defence.

The most recent death, of Brian Finnergan, 32, from Bromley, south-east London, is bound to add intensity to the debate sparked by Michael Howard, the Home Secretary, when he expressed concern that the victim often appeared to be treated more harshly than the villain. Mr Finnergan died from stab wounds just four hours after staggering into Guy's hospital, central London, at 1.30am last Thursday.

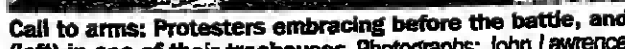
Detectives later discovered that dead man had been involved in an incident with two men at their flat in an apartment block near Hutton Garden, central London.

Tony Garrard, 34, from Lee in south-east London, appeared at Clerkenwell magistrates' court, central London, at the weekend, charged with aggravated burglary.

Handwritten note: "24/1/96 15.50"

Stephen Dorett: Need for some changes is evident

Motorway tolls to put brake on age of car



Protesters at battle stations in Newbury

dreds of protesters within an hour of work starting and hope to muster several thousand inside a day. They aim to strike

"You don't have to be a
ecowarrior in a climbing harness
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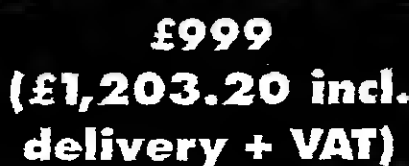
Three win £14m each as Camelot collects £7m



Judge to rule on claims of BR bias against gays



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M&S challenges 'child labour' allegations

NIGEL COPE

Marks & Spencer yesterday hit back at potentially damaging allegations of incorrect labelling of garments in its stores and the use of child labour by one of its suppliers.

The company issued a detailed response saying it would "vigorously challenge" the allegations. David Sieff, M&S head of corporate affairs and a member of one of the company's founding families, also appeared on the *Breakfast With*

Frost programme on BBC1 yesterday to present the company's case. He said the company had conducted rigorous checks to ensure it was meeting all labour legislation.

Marks & Spencer went on the offensive ahead of a two-part *World in Action* documentary, entitled "Saint Michael - has the halo slipped?" which will be screened by Granada tonight. The programme will centre on the allegations of the use of child labour in a factory controlled by one of Marks

& Spencer's suppliers. It also alleges that the company has incorrectly labelled garments as "Made in the UK" when they have actually been manufactured elsewhere.

The programme is expected to claim that the Moroccan factory has employed workers as young as 12. It also alleges that girl workers toil for just £11.80 a week in stifling conditions where they are treated poorly by their supervisors.

Next week's programme is thought to include allegations

of copyright infringement. The company ran into trouble last summer when it was accused of copying the design of a swimsuit.

Marks & Spencer has already withdrawn a batch of women's pyjamas which were labelled as "Made in the UK" when they had been manufactured in Morocco. The garments had been made at a factory controlled by Desmond & Co, a Northern Ireland textile company.

M&S dismissed this case as

"a one-off mistake" and said it had sent senior managers on an unannounced visit to Desmond's Sicome factory in Morocco in December, to monitor conditions.

They found:

- No evidence of anyone employed below 15 years of age.
- That Sicome has government certificate of approval that the site meets all national Moroccan laws. The certificates also state that no employees are under 15.

Those employees that are aged 15 are apprentices engaged in light textile duties and do not operate machinery until they are 16.

■ That the factory is visited twice a year by a doctor from the local Labour Medical Inspectorate, who has confirmed that it meets Moroccan legislation.

M&S says it has written to all suppliers, restating their responsibilities with respect to contract specifications.

Further allegations could be hugely damaging to Marks &

Spencer, one of Britain's most respected companies. A company spokesman said yesterday: "We have built our reputation over 112 years and we value it highly. Obviously these allegations strike at the foundations on which that reputation has been built and we therefore take them very seriously."

He added that it would be watching the programmes closely before deciding on its next step.

Marks & Spencer is known as one of Britain's best employers. In the UK, stores have rest

rooms for staff feeling unwell. Doctors, dentists and chiropodists also visit the stores to conduct free checks on workers.

M&S claimed it had tried to co-operate with Granada but said the relationship had "not been easy". Granada had been expected to release further details of the programme yesterday but later changed its mind. Yesterday it said it was still editing the programme. A spokesman said: "Anyone who watches the programme will be able to make up their own minds."

Ramblers barred from Kipling's wooded Weald

Sussex walkers are angry over loss of access to 'state' land, writes Stephen Goodwin

STEPHEN GOODWIN

A padlock and a new galvanised gate bar the way to woodland just south of Rudyard Kipling's home in the Sussex weald which local people have for years enjoyed for quiet recreation.

For Clive Mackie, a retired chartered accountant, the barrier and warning signs put paid to 13 years of walking in Blackbrooks and nearby woods.

About as far from a "militant ramble" as an ex-secretary of the Institute of Actuaries is expected to be, Mr Mackie did not resort to trespass or wire cutting.

In fact he was more perplexed than angry. For this appears to be Forestry Commission land and the state-owned body has been making much of its policy of allowing the public a "freedom to roam" over its land.

"I am slightly angry," Mr Mackie said. "This was a popular place for local people. I used to walk here a couple of times a week."

Blackbrooks is part of the Commission's 630-acre Burwash forest holding and typical of the countryside Kipling had in mind when he wrote of "the wooded, dim, / Blue goodness of the Weald". The author's home, Bateman's, is about a mile to the north.

The concerns of walkers, however, are better summed up in the opening line of another Kipling verse: "They shut the road through the woods..."

The Keep Out notices are being cited by the Ramblers' Association as a further example of the loss of public access to state forests. Privatisation is the usual RA villain, with access often being lost when woods are sold. The Commission is required to sell 15,000 hectares of



Lock out: The gate to Blackbrooks, East Sussex, and (right) David Beskine, whose atlas keeps tabs on Forestry Commission land. Photograph: Andrew Haddon

land a year and to help monitor dwindling access the RA's assistant director, David Beskine, has compiled a 34-page atlas detailing all land held by the Commission.

However in the case of Blackbrooks and neighbouring Coombe wood the history is more complex. Though the woods are leased by Forest Enterprise - the arm of the Commission which actually farms the trees - the freehold and shooting rights are held privately. Last year the freehold was sold by British Gypsum to Newcombe Estates, a company with a keen shooting interest.

At the old entrance to Coombe wood, the Forest Enterprise name has been cut

down and a sign reads "Sporting rights reserved - Not open to the public". At Blackbrooks, the Forest Enterprise name and logo still heads the board, but it ends: "No public access."

A Commission spokesman admitted it was rather at odds with the walker-friendly policy. "If the situation had been different and we had owned all the rights the woods would still be open. But the new owners increased the shooting on the estate and we have had to put up signs for public safety."

This does not impress the RA. "This is a case of achieving what they want under the guise of being helpful," said Ross Urquhart, the RA's footpaths secretary for East Sussex.



Labour puts state pension under review

JOHN RENTOUL
Political Correspondent

Labour has moved closer to a dramatic switch of policy in favour of compulsory contributions to private pensions to top up the state pension.

Frank Field, the influential Labour chairman of the Social Security select committee, and MP for Birkenhead, has disclosed that a government statistician will cost the plan.

Speculation about Labour support for Mr Field's proposal will be heightened by the fact that Chris Smith, Labour's social security spokesman, flew yesterday to Singapore to join Tony Blair, the Labour leader. Mr Smith will be looking at the Central Provident Fund there, an insurance fund for unemployment, sickness, and old age to which employees are required to contribute.

Mr Smith confirmed yesterday that he was "considering a variety of options for second-tier pensions", and that there were "considerable attractions" in a fund that has "collective strength" and in which the individual has a stake.

A Labour government could not ask taxpayers to pay for higher state pensions, Mr Field said yesterday. He added: "We have no choice but to move to compulsion."

Mr Field has presented a plan for compulsory pension contributions as an alternative to Labour's historic commitment to the State Earnings-Related Pension Scheme (Seps), a top-up to the basic state pension which has been cut back by the government and which enjoys limited public support.

But there is uncertainty about the cost of a compulsory scheme which would have to cover those who make little or no provision for themselves.

Mr Field said yesterday that he had raised funds from a char-

itable trust to commission a report on the possible costs of his plan from the Government Actuary - who provides Parliament with forecasts of social security costs. The report would be completed by February. Mr Smith said he took a close interest in the outcome. He added that he was "very wary of introducing elements of compulsion where there are none at present". He also said that the Singapore scheme was flawed because it excluded "all the difficult cases that the Actuary will look at".

About two-thirds of employees in Britain are members of occupational pensions schemes and another 5 million have a personal pension scheme. But large numbers still rely on the basic state pension, which has been uprated in line with prices, but has lost value in relation to earnings over the past 16 years.

Mr Field's plan, part of a package which includes compulsory insurance for unemployment and long-term care in old age, was mentioned as an "option" in the report of the Commission on Social Justice, set up by John Smith, the former Labour leader. It was also endorsed by the Liberal Democrat inquiry into welfare led by Lord Dahrendorf.



Frank Field: Labour has 'no choice' in pension plans

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Blood service staff warn of crisis after computer delay

LOUISE JURY

Staff warned yesterday of a potential disaster in the blood service after a new national computer system was announced a year later than planned.

The National Blood Authority last week disclosed it had chosen British-based software house Savant Enterprises to provide a £5m system which will for the first time unify bloodstock control. But the delay means the replacement of the existing patchwork of non-compatible computers in centres in England and Wales will not be completed until at least the end of 1997.

Blood service sources said the pressure of the implementation time-scale created the risk of potentially serious errors in the blood-coding process.

The *Independent* last week disclosed that bloodstocks at transfusion centres in England and Wales were running well below the 15,000-unit minimum

level. By Friday there were only about 10,600 units.

The new system, to be known as Pulse, will be introduced at the same time as the service is undergoing a shake-up involving at least 300 job cuts. The processing and testing of blood is to be removed from five of 15 centres and concentrated at the remainder. Another difficulty is the need to incorporate an internationally-agreed 16-digit coding system rather than the current six digits.

Gary Barr, the National Blood Authority information technology manager, said the Savant solution was considered the best and would meet all safety and quality requirements.

Roger Kline, of the Manufacturing Science and Finance union, which represents some staff, said: "We don't believe they will be able to bring in the new computer system and coding in a manner which guarantees it will be working properly before the planned downgrading of the five sites."

Crash inquiry begins

A harrowing picture of the RAF's worst helicopter crash in modern times will emerge today at the official inquiry into the Mull of Kintyre Chinook accident, writes John Aridge.

Relatives of the 29 people who died in the accident will hear eyewitnesses describe the moment when the Chinook ploughed into a 1,400ft mountain in swirling mist and cloud on 2 June 1994. Local people and emergency workers will give evidence at Paisley Sheriff Court.

The inquiry will examine why the helicopter struck the mountain at high speed and without warning. Although an internal Ministry of Defence investigation said the pilots, Flight Lt Jonathan Tapper and co-pilot Flight Lt Richard Cook, were "grossly negligent", lawyers representing the two men and relatives of the other 27 victims say RAF investigators uncovered safety problems with Chinooks, including engine "flame-outs" and computer faults, just weeks before the crash.

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HAZEL DUFFY

The claims are being made on behalf of former miners who have not received benefits through existing schemes for sufferers from serious lung diseases because they do not qualify or have received money but say it is insufficient. Most are in their sixties and seventies.

British Coal, which looks after the outstanding business of

The action began among South Wales miners but has now spread around the country. In the last few weeks, 160 mine workers have been seen by solicitors in Mansfield, Nottinghamshire, acting on behalf of the *Union of Democratic Miners*. John Bonser, of the UDM, said that solicitors had been instructed to gather evidence with a view to taking British Coal to court, which would then "open the gate to others". Solicitors to Nacods, Hugh

The issue is the alleged connection between years of exposure by miners to coal dust and the onset of lung diseases, and the eligibility of the men to claim lump-sum compensation from their former employer.

The unions argue that the Government has already opened the door to compensa-

Bleddwn Hancock, of Nacods, has accused British Coal of being "totally obstructive" and urged the company to spare "these very sick men" the ordeal of lengthy litigation.



CASE STUDY

He has been turned down for social security benefit because he has not lost enough of his lung capacity to "qualify". He manages on his old age pension.

A former employer, a subcontractor to the (then) National Coal Board, has offered him £1,000 to settle out of court. However, having fought so long, and even with his life ebbing away, Mr Lambert is not disposed to such a deal.

JOHN RENTOUL
Political Correspondent

Labour sources say they are "confident" of winning the case, but it is understood that the party has made contingency plans in the event of defeat. The party would be likely to appeal, and the remaining dozen all-women selections would have to be suspended. If Labour then lost, the remaining selections would have to be thrown open to men, but candidates already chosen would not have their selections re-run. Mr Jepsen and Mr Dyas-Elliott would be enti-

The Labour Party argues that the law applies only to bodies which do not control access to employment. Its QC at the Leeds Industrial tribunal, James Goudie, told the first day's hearing that political parties did not control access to Parliament – that is decided by the voters – and that being an MP is not a "profession of trade".

Mr Jepson responded: "The Labour Party is arguing that a political party is above the law, not just of this country but of European law as well. That is an affront." He completes his submission today, and the tribunal is expected to give its verdict this afternoon.

The Ginger-Haired in Heaven

By Glyn Maxwell

*Sometimes only the ginger-haired in Heaven
can help me with my life. The flock of blondes
is sailing by so painlessly forgiven,
still blinking with love no one understands,*

*while the brunettes float thinking by the rushes
long after what they chose, long reconciled,
and here, the fair and sandy, all their wishes
half-granted them, half-wish them on a child.*



Only the ginger-haired remember this, though: this sulk and temper in the school of Time, this speckled hope and shyness at a window as sunlight beats and blames and beckons. I'm

*not coming out. They won't come out of Heaven,
or not until with auburn in the blood
two mortal tempers melt together. Even
then we might stay here if you said we could.*

Glyn Maxwell has been hailed as "England's brightest new poet for a decade" and has published three collections of poetry, the second of which, *Out of Rain* (Bloodaxe) won the 1993 Somerset Maugham Award. His third poetry collection, *Rest for the Wicked*, from which this poem is taken (Bloodaxe) has been shortlisted for the T S Eliot Prize. Glyn Maxwell and his nine fellow shortlisted poets will be reading from their collections the evening before the winner of the prize is announced at the Almeida Theatre, Islington, London N1 at 7pm. Box office 0171 359 4404.

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Clinic row: Attempts to choose child's sex condemned

Baby gender treatments are branded a failure

GLENDIA COOPER

One in three couples who pay hundreds of pounds to choose the gender of their child at a controversial London fertility centre are ending up with a baby of the opposite sex.

The London Gender Clinic, which opened three years ago is said to have estimated that its success rates are "more than 50 per cent but less than 70 per cent".

The Labour peer Professor Lord Winston, head of fertility studies at Hammersmith Hospital, is calling for legislation to be tightened up so that those who are not medically qualified in this area can offer treatments. "There is no evidence [gender selection] works at all," he said. "There is a need for us to look at this loophole in the law where people who are not medically qualified can give medical treatments."

Lord Winston, who will be speaking on the subject in his maiden speech in the Lords this week, has tested the Ericsson method that the clinic was using until a few months ago and said that results had shown an "exactly 50-50" chance of getting the sex of your choice.

The system was developed in 1973 by an American scientist, Dr Ronald Ericsson, and relies on the physical differences in the swimming ability of the male and female sperm, which are said to separate at different rates. The sperm are laid on top of a solution and the male ones supposedly reach the bottom of the tube more quickly than the female ones.

Parents who go to the London Gender Clinic, set up by Dr Peter Liu, a biochemist, and Dr Alan Rose, pay £650 for a first treatment with reduced fees of £400 for a second and £350 for a third. It refused to comment this week.

The Human Fertilisation and Embryology Authority has no powers over the clinic because they do not use donor sperm and no sperm is stored there.

The HFEA believes sex selection techniques are "acceptable for medical reasons where a woman is at risk of having a child with a life-threatening disease", but adds: "The authority is persuaded by the arguments against sex selection for social reasons and this view is strongly supported by the public."

Dr Peter Brinsden, medical director of Bourn Hall, the pioneering IVF (in vitro fertilisation) clinic where Louise Brown, the first test-tube baby, was created, said: "It is perhaps chance more than anything else. Technology is not advanced far enough to get respectable success."

He added that he would be in favour of the HFEA bringing sex selection clinics within its remit.

A spokesman for Issue, the national fertility association, said it was "totally opposed to sex selection of embryos except in circumstances of genetic illness which runs in the family".

He added that he was happy that the HFEA had taken a strong stance against it, but wished there were stronger guidelines banning clinics from offering such procedures.



Set in stone: The newly refurbished interior of the Norwich Union headquarters in Norwich, Surrey House. The building is lined from floor to ceiling with marble and work on the renovation took six years to complete

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Delicate: The early gentian has been in decline for years

Wild flower may blossom with farmers' help

NICHOLAS SCHOON

The early gentian is one of many types of wildflower which flourished under traditional farming methods and which have been almost obliterated by modern practices.

After decades of decline, it is now recorded in only 49 thin, scattered 10km squares from Cornwall in the south-west to Lincolnshire in the north-east. Botanists chart the abundance of all kinds of plants across Britain by dividing the country up into these squares.

The early gentian, which is unique to Britain, grows up to six inches tall and has small, delicate leaflets. A biennial, it puts out a pink, trumpet-shaped flower in its second year, and other members of its family are popular garden flowers.

It is one of 116 declining or endangered British plant and animal species covered by rescue plans drawn up by a steering group of government scientists and wildlife conservation organisations. The Government has said it will respond to the proposals in the spring.



The early gentian requires fairly exposed conditions, sloping ground and shallow soil of chalk or limestone. Two main reasons for its decline are the ploughing up of grassland and the decline of sheep grazing, allowing scrub to move in.

The steering group proposes that all surviving populations should be safeguarded and that by 2004 the plant should be re-established at 10 sites where it has recently become extinct.

The way to do this, says the group, is to ensure that landowners know what kind of land management is needed to let the early gentian survive. And more farmers need to take part in the Ministry of Agriculture's Environmentally Sensitive Areas scheme, which pays them to use traditional farming methods.

Once scrub is cleared, the early gentian can reappear on downlands, as it has at Banstead Downs in Surrey, where volunteers from Plantlife, a wild-plant conservation charity, have been clearing shrubs.

The Government has proposed that seven sites across southern England where the early gentian lingers should become Special Areas for Conservation under the European Union's Habitats Directive.

The steering group estimates it would cost up to £23,000 a year to implement its proposals, with the money coming from government and voluntary bodies.

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Peking insists it is not starving orphans

Propaganda barrage follows new report on children killed by neglect in 'dying rooms'

TERESA POOLE
Shanghai

The Chinese government has launched a desperate propaganda exercise following publication at the weekend of evidence that thousands of babies and children have been dying every year in state-run urban orphanages. The dossier of evidence, taken from official Chinese publications and medical records kept at the main



orphanage in Shanghai, indicates that infants and children have been systematically starved to death and killed by intentional neglect in recent years. The report will overshadow tomorrow's arrival in Peking of the Foreign Secretary, Malcolm Rifkind, on a visit billed as further restoring Sino-British ties before Hong Kong's transfer to China next year. China's human-rights record is now centre-stage again for any visiting diplomat.

Even before the orphanage study, the past few weeks had

seen a 14-year sentence passed on the dissident Wei Jingsheng and the disappearance of the six-year-old boy chosen by the Dalai Lama as Tibet's reincarnated Panchen Lama.

The orphanages report, by the New York-based Human Rights Watch (HRW), includes national death figures and hundreds of cases of dead infants and children at the Shanghai Children's Welfare Institute, the city's main orphanage. It is backed up by photographs of dead and dying children.

The study is the most detailed evidence obtained of conditions in China's urban orphanages. Peking, apparently stung by the weight of material, has invited the foreign media today to inspect the Shanghai Children's Welfare Institute. The HRW report describes how the institute was revamped into a "Potemkin orphanage" for foreign visitors in 1993. Meanwhile, the official Xinhua News Agency yesterday started churning out statistics about improving child-vaccination levels, measles, and child nutrition.

The report makes stark reading, particularly as an official Chinese investigation launched in 1991 subsequently fell victim to a cover-up. Medical records and testimony presented by the HRW from the Shanghai orphanage show that deaths were "in many cases deliberate and cruel". The HRW describes the process as "an apparently systematic programme of child



Victim: Jian Xun, who was born in February 1981 and admitted to the Shanghai orphanage in 1988. He died in July 1992; the cause of his death was not given

elimination". Orphanage records indicate that from 1986 to 1992 more than 1,000 children died of unnatural deaths at this one institution.

Typical was the case of Ba Jun, a baby admitted on 2 January 1992, aged one month and weighing 3.8kg. On arrival, records said, her general health was "quite satisfactory" but 11 days later she was described as suffering from "second-degree malnutrition". By 18 January she had "third-degree malnutrition and bronchial pneumonia". By 4 February her limbs were "cold" and a doctor diagnosed the illness as "critical" after five prescriptions to administer antibiotics had been ignored by staff. However, the same physician added: "Had intended to administer oxygen therapy but valve of oxygen cylinder blocked, so did not proceed with treatment." Ba Jun died four days later.

Another baby was so hungry before she died "she was trying to chew flesh off her hand". In December 1991, 15 children died over four days after toddlers were tied to "potty chairs" and left out in freezing weather wearing thin cotton clothes

for 24 hours. Physical abuse was routine. "Infants below one year of age frequently choked to death during feedings because they were normally tied to their beds almost continuously," said the HRW.

The Shanghai documents were smuggled out by a doctor, Zhang Shuyun, who worked at the institute there from 1988 to



1993 and who escaped from China in March last year.

The HRW investigation was two-pronged. The detailed Shanghai picture is complemented by government statistics which present a grim picture of life and death in urban orphanages across the country as a whole. According to Ministry of Civil Affairs statistics, in

1989 a quarter of babies and children in the continuing care of the country's urban orphanages died.

A breakdown by province indicates how numbers of inmates were kept stable over the course of a year because the number of deaths was enough to counterbalance the level of new admissions.

This suggested "a deliberate policy of adjusting death-rates to maintain a constant population in each institution", said the HRW. Some orphanages operated as effective "death camps", the report alleged.

Analysis of evidence showed that in a majority of cases, death struck within a year of admission to an orphanage. "The evidence indicates that the likelihood of survival beyond one year, for a newly admitted orphan in China's welfare institutions nationwide, was less than 50 per cent in 1989," said the HRW.

Dr Zhang confirmed that within the Shanghai orphanage the population was kept static by a deliberate process called "summary resolution", the HRW said. "Once selected, the children would reportedly be

denied virtually all food and medical care and would sometimes even be given no water." When critically weakened, the child would be moved to the "waiting-for-death room". Death normally followed within a week.

Today's media tour of Dr Zhang's former workplace is set to be a propaganda own-goal for Peking, however, as the HRW report makes it clear that in mid-1993 the Shanghai Children's Welfare Institute was "sanitised" to create a showcase institution to attract foreign donations and overseas adoption parents.

Since 1993, it is the No 2 Social Welfare Institute, which is situated on Chongming Island, two hours by car and boat from the city centre, which has taken over as "a virtual dumping ground for abandoned infants delivered to the orphanage". That institution is not on today's itinerary.

Government officials will be pressed today on how a high level of cover-up blocked attempts by Dr Zhang and other staff to curb the death-toll. In December 1991 the Shanghai Bureau of Supervision sent in an

investigative team which remained at the orphanage for eight months. During the same time, 16 members of Shanghai's People's Congress did their own investigation. Both teams confirmed the allegations of Dr Zhang and her colleagues. But after intervention by party officials, almost all critical staff had been dismissed or forced from their jobs by 1993 and all but one of the congress members were prevented from standing for second terms in office. Wu Bangguo, then head

in Shanghai of the Communist Party and now a vice-premier, ordered a media blackout. Han Weicheng, director of the orphanage from 1988 to 1994, who was accused of raping an orphan, was in 1994 promoted and is now acting director of the Shanghai Civil Affairs Bureau Department of Social Welfare, despite disclosures that he had a personal bank account holding £53,000 in foreign currency, most of it from foreign donations and adoption fees.

Deaths in China's urban orphanages

| | Inmates at start of 1989 | Admitted during 89 | Departed during 89 | Died during 89 | Inmates at end of 89 | % of deaths |
|-----------------------------|--------------------------|--------------------|--------------------|----------------|----------------------|-------------|
| China | 5,539 | 3,210 | 1,233 | 1,857 | 5,659 | 21 |
| China's six worst provinces | | | | | | |
| Henan | 23 | 72 | 4 | 66 | 25 | 69 |
| Guangxi | 21 | 43 | 5 | 39 | 20 | 61 |
| Shandong | 126 | 232 | 19 | 210 | 129 | 59 |
| Fujian | 81 | 109 | 6 | 109 | 75 | 57 |
| Zhejiang | 451 | 528 | 206 | 284 | 489 | 29 |
| Hubei | 314 | 466 | 269 | 184 | 327 | 24 |



Victim: A child on a 'potty chair'. In 1991 in Shanghai 15 toddlers died after being tied up and left outside

Rifkind resolves to keep China visit on course

STEPHEN VINES
Hong Kong
STEVE CRAWSHAW
London

Malcolm Rifkind, the Foreign Secretary, is making a determined effort not to have his visit to China overshadowed by Peking's fury over Channel 4's screening tomorrow, the day he arrives in the Chinese capital, of a chilling programme documenting the abuse of children in China's orphanages.

However a Foreign Office spokesman travelling with Mr Rifkind made it clear in Hong Kong last night that Britain would have no truck with any attempt to prevent the screen-

ing of the programme. He insisted that this was "entirely a matter for Channel 4" and believed that "there was no reason to believe it would affect the nature or effect of any of the meetings" the Foreign Secretary would hold in Peking.

Mr Rifkind's visit was conceived as part of the process of patching up differences over Hong Kong's return to Chinese sovereignty next year, building on a cordial visit to Britain last October by Qian Qichen, the Chinese Foreign Minister.

However, human rights have been at the forefront of the problems in Sino-British relations and China has already indicated how it will respond to

attempts by Mr Rifkind to discuss this issue. At the weekend China's Foreign Ministry issued a blistering statement attacking the Human Rights Watch/Asia report on the orphanages, on which Channel 4's *Return to the Dying Rooms* draws.

This is the second time in 12 months that China's treatment of children in orphanages has come under attack. After the showing of Channel 4's first report, *The Dying Rooms*, the junior Foreign Office minister Baroness Chalker raised British concerns about the matter during her visit to Peking for the international women's conference last September. The Foreign Office says it is treating the new

allegations as "serious and worrying" and says they will be studied carefully.

Meanwhile the Hong Kong government, which has been explicitly told by China to remain silent about Chinese affairs, issued its own statement on the report yesterday, saying that because the colony has "a caring society, people are naturally shocked by allegations of this nature". It added that the findings "clearly need to be investigated thoroughly and, if substantiated, steps taken to end such abuses".

Channel 4 yesterday made it clear it had no intention of backing down in the face of Chinese protests. The Chinese embassy

wrote complaining about the film, and warning of damage to Britain's relations with China if it was screened. Channel 4 said yesterday: "There's no question. The screening will go ahead."

Foreign Office officials insisted they had not been approached over the issue: "It's not for the Government to become involved. We don't have a view. We wouldn't consider intervening."

Political pressure would certainly backfire. "If the Foreign Office rang up to complain about the potential damage to Sino-British relations, we'd send them away with a flea in their ear," a Channel 4 spokesman claimed yesterday.

Britain is treading a delicate path on the orphanage affair. It claims to emphasise the importance of human rights in China. But it does not wish to anger the Chinese and lose valuable contacts.

Liu Jianchao, press spokesman for the Chinese embassy, said he had "no comment" on whether there would be an approach to the Government. But he insisted that showing the film would "harm the mutual understanding between the Chinese and British people". The *Dying Rooms* had, he said, given a "distorted picture". Showing the latest film would "harm the atmosphere" between the two countries.

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Nato attack on Gaddafi blamed for air disaster

ANDREW GUMBEL
Rome

After 15 years of lies, cover-ups and mysterious suicides, an answer might be close at hand to one of the most enduring riddles of post-war Italy: the cause of the destruction of an Italian airliner over the island of Ustica, near Sicily, in June 1980.

According to documents seized from the retired head of the counter-espionage service, it seems the DC-9 was caught in the wrong place during an attempt by Nato fighters to blast Colonel Muammar Gaddafi out of the skies with a missile. The papers sequestered by the judiciary from Domenico Cogliandro detail how French and US jets launched an operation to kill the Libyan leader but panicked when they were

counter-attacked by escorting MiGs. When the civilian airliner came into range, a French Mirage fired without first checking its identity, killing all 81 people on board.

It is not the first time the possibility of a missile attack has been raised but never has such detailed information leaked from such a highly-placed source. General Cogliandro's dossier describes how one of the MiGs was also shot down and how five US P-3 Orions vainly scoured the wild terrain of Calabria to trace its fuselage. He describes disinformation spread about the MiG once it was found three weeks later and pressure applied on doctors who examined the pilot's body.

He also names the prime minister of the time, Francesco Cossiga, as being responsible for

concealing the truth for so long. Mr Cossiga, who was later president, has never given a full account of the affair, claiming only that he was "shafted" somewhere along the line.

An investigating magistrate, Rosario Priore, says he is taking the dossier seriously, as it seems to have been prepared for formal distribution, perhaps as a memo to the head of Italy's secret-service agency. But it is unclear who General Cogliandro's sources were, why he compiled his report and why it took so long to surface.

So reticent did the general prove in interrogation before the discovery of his papers that he has been investigated for alleged obstruction of justice. For some of Mr Cossiga's most faithful supporters, that has been enough to discredit the



Gaddafi: Nato jets tried to ambush him, says dossier

missile theory and suggest, as they have for several years, that the DC-9 was blown up by a terrorist bomb.

The parliamentary commission dealing with Italy's many high-profile disasters is unlikely to kiss off the evidence quite so quickly and is expected to summon Mr Cossiga for questioning. France and the US never commented on the affair, while Colonel Gaddafi has been as equivocal as ever.

Taiwan scores new US diplomatic coup

Shanghai — Taiwan notched up another success in "transit diplomacy" at the weekend when the US announced the island's Vice-President, Li Yuan-zu, would be allowed two stopovers in Los Angeles later this month, despite earlier intimations from Peking that this could harm Sino-US relations, writes Teresa Poole.

China's Ministry of Foreign Affairs yesterday refused to comment on Washington's decision, but the transit visas for Mr Li are certain to provoke a hostile reaction towards both Taipei and Washington. Last June, a week-long visit to the US by the Taiwanese President, Lee Teng-hui, plunged Sino-US relations to their lowest point in years.

Mr Li's plane will be allowed to stop in Los Angeles on 11 January and 16

January as he travels to and from Guatemala for the inauguration of the new president there. Although such transit visas have been permitted since 1994 under President Bill Clinton's Taiwan policy, this month's stopovers come at a sensitive time. It was only towards the end of last year that Sino-US relations returned to an even keel, and Mr Li's passage will have added propaganda value in Taiwan ahead of March's first fully democratic presidential elections.

The Foreign Ministry spokesman in Taipei, Rock Leng, accused Peking of "over-reaching" to such stopovers. "Communism" China's strong reaction to this matter is really incomprehensible. It is a simple stopover for Vice-President Li and there will be no public activity," he said.

Fears for peace deal as Mostar tensions mount

EMMA DALY
Mostar

Mostar's "top man" — or so he was introduced by the chat-show host before his television interview on Friday night — was unyielding, dressed all in black and uttering dark threats. "This will be Croatia," Mladen Milicic boasted. "There will be a war if necessary."

Another war, Mr Mistic, commander of Bosnian Croat militia in Mostar, should have said. Language like this and, more important, the string of shootings along the city's front line in the past week have prickled the uneasy peace reigning in Mostar since March 1994 and raised tensions to the most

dangerous levels since the European Union began to administer the city 18 months ago.

Two people have been killed and two more seriously wounded since New Year's Eve, when tensions in the divided city of Mostar surged dangerously with the fatal shooting by Bosnian Croat police of a Muslim youth who ran into a road-block on the western — Croat — side of town. Four days later, two Bosnian policemen driving to work along the Boulevard, a wide, ravaged street that marks the front line, were hit by a hail of bullets fired from the west side.

"A lot of people are scared — I also feel something of a war atmosphere," said Faruk Kejtaz,

a journalist at Radio Mostar, on the shattered government-held east bank of the swollen Neretva River. "Many don't want to talk about it — it's a very fiery situation."

Yesterday, some 500 Croats huddled through driving rain for the funeral of Zeljko Ljucic, a policeman shot dead on the Boulevard on Saturday, this time by fire from the east. "He was shot down by crooks," said the priest as an elderly man wept beside him, cradled in the arms of a younger man.

Many — and not only those Muslims living on the east bank who fought a vicious 10-month war for Mostar — fear the shootings are more than a string of unrelated incidents. "Why else

do they all involve policemen?" asked one foreign observer.

"My hope is that it is isolated incidents," said Hans Koschnik, the German appointed by the EU to oversee the reunification of Mostar. He paused. "The feeling may be otherwise." His task is to fulfil the requirements of the Dayton agreement that pertain to Mostar: the creation of a new city statute, freedom of movement across the city for all by 21 January.

But he knows that while senior Bosnian Croat officials signed the Dayton deal, they also seek to rewrite it. "The real problem is they have to give up 'Herzegovina' (the self-styled Croat statelet in western Bosnia) on 21 January," he

said. "The discussion about the unification of the police in Mostar stopped on 30 December."

The young man who was killed on New Year's Eve, named only as Alen, was 17 and therefore of military age. He crossed into west Mostar illegally with three friends — apparently to visit his girlfriend — and refused to stop for a police foot patrol. They fired, and he was killed. Several hundred attended his funeral in east Mostar, too.

Mr Koschnik believes the presence of Nato troops from the peace implementation force (I-For) will stave off a second descent into war. "But I'm not saying 'no' to more incidents,

fighting, maybe sniping," he added.

And he admits that the deployment along the Boulevard of five Spanish armoured personnel carriers, and the temporary suspension of civilian crossings from one bank to the other, is a victory for "extremists". Some in east Mostar believe that was the aim all along. "That's what they want: for I-For to deploy along the front line," said Senad Eficic, a radio journalist: to divide the city once and for all.

■ Banja Luka — the Bosnian Serb leader Radovan Karadzic attacked the Serbian President Slobodan Milosevic and called for the recovery of Serb-held districts around Sarajevo by political means. Renter reports,

Handwritten signature: J. P. 12/10/95

Clinton and Congress at odds despite budget deal

JOHN CARLIN
Washington

President Bill Clinton has given the Republicans the minimum they sought in budget negotiations and in exchange secured from Congress the funds necessary to end the longest government shutdown in United States history.

But the fundamental differences between the two sides on budget priorities remains as wide as ever.

In a tactical concession, Mr Clinton submitted a proposal late on Saturday night for balancing the budget within seven years. For the past year he had contended that such a plan was not feasible but now, eager to end a partial government shutdown that had lasted since 16 December, he has relented.

After Mr Clinton had set his budget-balancing document on the table, Congress, both houses of which are dominated by the Republicans, submitted the legislation required to reopen government and the President signed it.

"This plan will show that you can balance the budget in seven years and protect Medicare, Medicaid, education and the environment, and provide tax relief to working families," Mr Clinton said. "This is a time of great national promise. We need to find unity and common ground."

The Republicans took a somewhat different view. According to a Republican source who was privy to negotiations at the White House on Saturday, Newt Gingrich, the Speaker of the House of Representatives, told the President: "If this is where you are, we're so far apart we'd better start thinking about how we can call this off."

Tom Delay, one of Mr Gingrich's more zealous congressional cohorts, accused the President yesterday on NBC Television's *Meet the Press* of not negotiating in good faith.

The good news is that the

President has come up with a balanced budget proposal," Mr Delay said. "The bad news is that it's the same old tax-and-spend philosophy that's been going on for 30 years."

The Republicans' frustration arises from the realisation that they will find it very difficult to bring about their much-trumpeted "revolution" - Mr Delay again used the word yesterday - in the face of stiff presidential opposition. The revolution essentially entails dramatically cutting the size of "big government", in particular by destroying the "liberal" (some Republican congressmen call it the "socialist") welfare state.

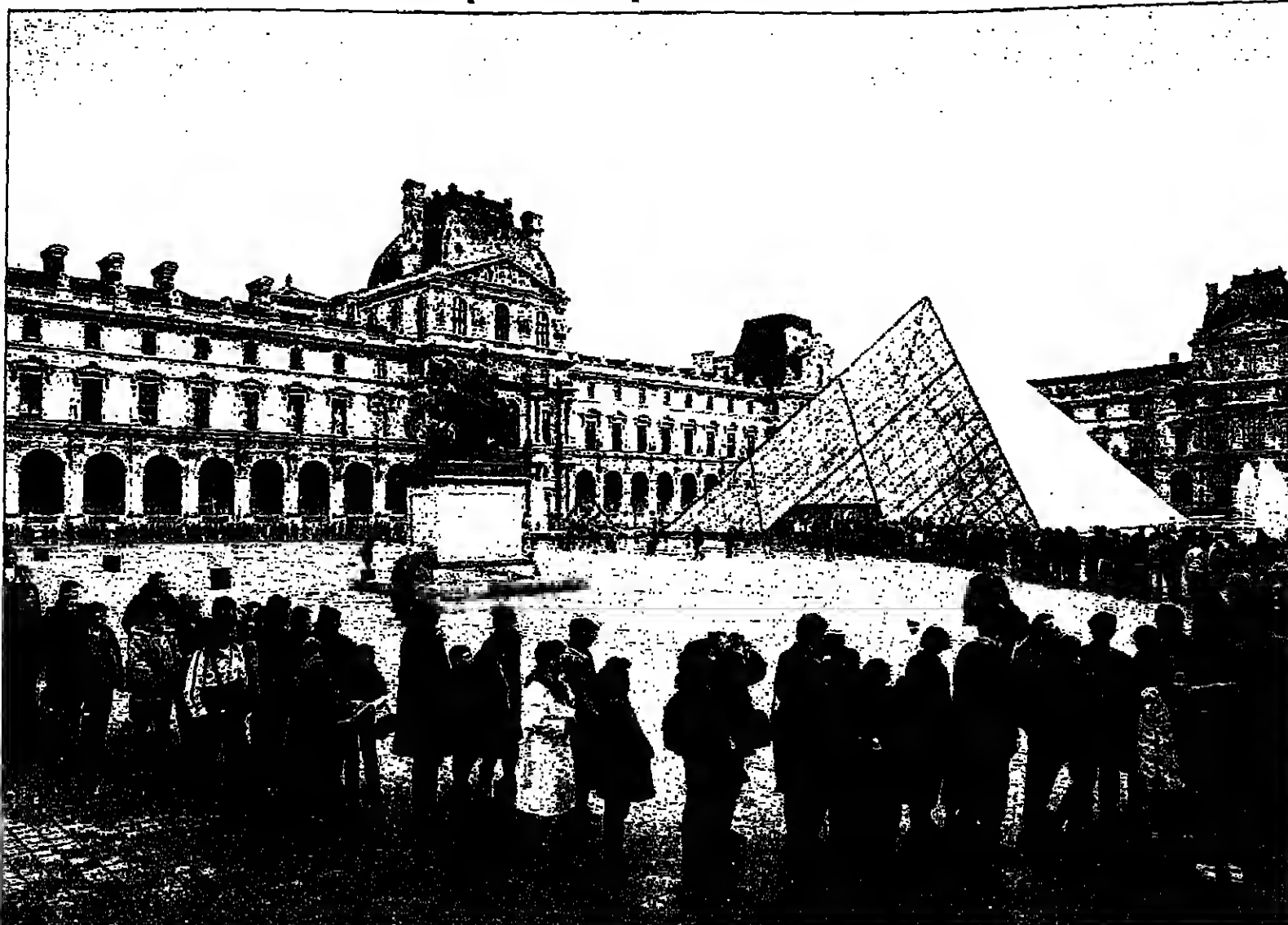
The other part of the revolutionary equation entails restoring power to the individual, which translated means cutting taxes.

Mr Clinton's budget-balancing proposal on Saturday showed that he remains resolved to withstand the Republican siege. So successfully is he doing this that the *New York Times* said in a front-page article on Saturday that the Republicans "seemed for the first time to be in retreat, much in the manner of Napoleon's ill-fated assault on Moscow".

What the President managed to do, while caving in on the demand that he come up with a seven-year balanced budget document, was to submit a plan whose numbers appear, on present projections, to work but which aims to reach its destination by a route substantially different from the one the Republicans would like to take.

Overall, Mr Clinton would spend \$400bn (about £260bn) more than the Republicans over the next seven years. He intends to cut far less on welfare, notably on health care for the elderly (Medicare), than the Republicans wish. And on taxes the President means to offer relief to families earning under \$75,000 a year, but deny cuts to the wealthier Americans the Republicans seek to reward.

Free Louvre puts public in the frame



State of the art: Visitors queue to take advantage of free admission to the Louvre in Paris on the first Sunday of each month Photograph: AP

Police in dock after carnival of crime

MARY DEJEVSKY
Paris

Between 1985 and 1990 Lyons and surrounding areas in central France were terrorised by a gang of armed robbers who wore carnival-mask disguises and killed in cold blood.

Today, more than five years after the gang's last stand, the 14 men believed to be responsible go on trial in the city.

The most remarkable feature of the case is not its scale, however, nor even the bizarre detail of the masks, but the fact that five of those in the dock are former members of the Lyons police force, whose colleagues had long been blamed for failing to solve the wave of serious

crime in their precinct. The five were all assigned to a run-down area near the main railway station, where the police station chief was an acknowledged depressive and alcoholic (he subsequently committed suicide), and officers whiled away the hours drinking whisky and playing poker.

In those five years the area's crime rate rose by almost 70 per cent, the number of charges laid fell by more than a third and Lyons district III became a standing joke in the force.

The lawyer for one of the accused said there was "a total loss of discipline". Jean Giovannetti, 49, regarded as the "brains" of the gang, is described as a figure of considerable charm and

a natural leader. A one-time medical student and successful hotel manager, he is said to have been bored and increasingly unhappy with the difference between his own police lifestyle and that of the criminals he occasionally questioned.

The "hard man" of the gang is said to have been Michel Lemercier, 45, who was allegedly known already for taking bribes to release petty offenders. Temptation is reported to have been put in their way by a petty criminal who told them that bars which doubled as betting offices had no additional security and robbing them was "a piece of cake".

From bar/betting offices, the

gang graduated to supermarkets, then to banks. They committed their first murder shooting a bar customer who tried to intervene. In January 1989 they shot two security guards in the car park of a supermarket.

One of Giovannetti's police tasks was to control the progress of investigations. The case was solved by what seemed pure chance. In November of 1990, police on a routine inspection caught a garage mechanic fixing a false number-plate to a stolen car. The garage was put under surveillance and the (regular) police learnt of a building society raid being planned for 12 November 1990. The robbers were caught red-handed.

Although these events are more than five years old, the trial turns the spotlight on the state of the French police at an awkward time. Memories are fresh of the in-fighting and bungling associated with the anti-terrorism investigation over the summer and the televised shooting - coincidentally also near Lyons - of the Algerian-born terrorist suspect Khedidj Kelkal.

This may be the reason why the slapstick "cops and robbers" aspect of the Lyons case has been consistently overlaid in recent French reports with a mixture of embarrassment and deep moral outrage. The guilt of the five policemen is not being doubted; what fascinates now is why they did it.

Freeze mocks America's leaders

JOHN CARLIN
Washington

The politicians who run the world's most powerful country learnt the humbling lesson yesterday that hard as they strive to shape the course of humanity they cannot restrain the whims of Mother Nature.

As if to underline the colossal presumption of the attempt to balance the US national account in seven years, presupposing as that does an ability to anticipate what will happen to the world's economy between now and the end of 2002, President Bill Clinton and Republican leaders were forced to call off planned budget negotiations yesterday because of bad weather.

What was more, Democrat and Republican leaders having agreed on Saturday night to reopen the government after three weeks of virtual paralysis, the heaviest snowfall in Washington in years looked certain to prevent the vast majority of government employees from going back to work today.

The National Weather Service said yesterday that the snowstorm, which struck Washington on Saturday evening, was of "historic proportions". If predictions were correct that the snow would continue to fall through the night until this morning, the blizzard looked likely to break all records for this century. With snow coming down at an average of one inch (2.5cm) an hour, central Washington was covered with a foot and half of snow by yesterday afternoon. Three feet might have fallen by the time Washingtonians get out of bed today, the experts said, exceeding the record for this century, set in 1922, of 28ins (71cm).

The initial impact of the snow, which fell without respite all day yesterday, was felt mostly among people who had entertained notions of travel - even to the local supermarket. Save for the occasional snowplough, four-wheel drive vehicle and demented driver, the roads of Washington were empty - though some people were spotted advancing down the middle of suburban streets on skis.

Crisis nears as Kohl's coalition allies sink in a sea of acrimony

IMRE KARACS
Bonn

The rare prospect of a German government crisis moved a step closer yesterday, with a senior minister warning that early elections might have to be held if Helmut Kohl's liberal coalition partners continued their slide towards oblivion.

Polls predict that the Free Democrats (FDP) face annihilation in three regional elections which are due in March, leaving them represented in just one of 16 Land assemblies.

If that happened, the party, which has been in government since 1969, first with the Social Democrats and then with Mr Kohl's Christian Democrats (CDU), would feel obliged to pull out of the coalition.

Until now, the conservatives said that in such an event they would try to stay in power as a minority government. But yesterday Theo Waigel, the Finance Minister, said he would urge his members to press for early polls. Mr Waigel heads the

Christian Social Union, the CDU's sister party in Bavaria, which forms a united parliamentary bloc with Mr Kohl's MPs in the Bundestag.

Mr Waigel's warning came as the Free Democrats tried to relaunch their party at a traditionally good-humoured conference in Stuttgart at the weekend. But beneath the veneer of bonhomie Germans have come to expect from the party of the educated middle class, the rivalries and ideological battles of recent months were much in evidence.

Sabine Leutheusser-Schnarrenberger, who resigned before Christmas as justice minister because of the party's new-found obsession with Thatcherite economics at the expense of age-old libertarianism, again tried to thwart the rightward drift. "Any attempt to win votes for the FDP purely in the conservative and right-wing camp by concentrating on tax and economic policy is a zero-sum game, which would bring the coalition no more votes,"



Waigel: Wants early poll if liberals quit Bonn coalition

provide a guaranteed market and subsidies in the economic area, the community cannot be truly free or successful."

Mr Gerhardt is at odds with leading figures of his party. Last month he tried to force out Günter Rexrodt, the Economics Minister and an FDP colleague, in a transparent attempt to take his place in the government. In his determination to curry favour with Mr Kohl, Mr Gerhardt has also provoked the ire of Klaus Kinkel, the Foreign Minister, who continues to stress an independent role for the FDP in the coalition.

The internal clashes and electoral disasters in the past two years have left the Free Democrats' credibility in tatters, creating a climate in which a vote for them is seen as a vote wasted.

A poll last week indicated more than 60 per cent of Germans thought the Free Democrats were unimportant, a damning verdict for a party that provides three senior members of the government.

Rao the survivor settles for an April general election

TIM MCGIRK
New Delhi

India will hold general elections in April, according to the Prime Minister, Narasimha Rao, who is likely to lead his ruling Congress party into what promises to be a fierce and closely-fought campaign.

Even within Congress, few had expected Mr Rao - a compromise candidate chosen hastily by a grief-stricken party after the 1991 assassination of Rajiv Gandhi - to complete his five-year term, let alone run for a second one. Often lampooned as dour, indecisive and aloof, Mr Rao, 72, nevertheless is likely to emerge as the party's next leader.

The prospect of having Mr Rao champion the Congress's bid for re-election fills many of his party hopefuls with gloom. Pitted against the Congress party in the elections will be the formidable forces of the Hindu

nationalists, the maverick regional parties, the leftists and those groups representing the lower castes in India's social hierarchy.

If elections were held tomorrow, opinion polls show, Congress might easily lose. Mr Rao's economic reforms have failed to trickle down fast enough to the masses, and some experts warn that many of these reforms may be derailed by Mr Rao's attempts to win votes by pushing through new government subsidies and populist measures. No dates in April have yet been fixed for the elections, a bureaucratic exercise of such staggering proportions in this country of 900 million people that it is usually spaced out over several days.

The Congress party, which has dominated Indian politics since independence in 1947, may have no choice but to stick with the lacklustre Mr Rao and hope that their opponents self-

destruct. A slight chance exists that this may indeed happen. The main party which tried to rally the lower-caste Hindus, the Bahujan Samaj Party, flopped when given the chance to govern Uttar Pradesh state, India's most populous, with more than 120 million people. With the failure of the lower-caste party, Congress is trying to coax back India's poor and down-trodden as well as the country's Muslims, alarmed by the rise of Hindu militancy.

Until several months ago, the main opposition group, the Hindu nationalist Bharatiya Janata Party (BJP), seemed ready to steamroller Mr Rao. But the BJP, which prided itself on its discipline and honesty, has lately had its image tarnished by messy feuds in Gujarat and other states. The BJP's system of having three party chiefs instead of one has also led to unseemly wrangles, but these may be sorted out now that one of



Narasimha Rao: Surprised critics by lasting first term

the trio, Atal Bihari Vajpayee, has been selected as the BJP's candidate for prime minister. Within the Congress party, Mr Rao has fixed it so that no contenders challenge him. Those who tried to defy him, such as Arjun Singh, the former minister for human resources, have been expelled. But Mr Rao may have gained his political survival at a high price: aloof, he has neglected the party small-timers in villages and towns. Without their support, Mr Rao cannot hope to win.

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Get your skates on: Thousands enjoy an ice party on the frozen Alster Lake in Hamburg, Germany, for the first time in five years. The revels, in which hundreds of food stalls are set up, are held each year the lake freezes
Photograph: Michael Probst

Shaken Hamas urged to avenge bomber's death

PATRICK COCKBURN
Gaza

The landlady of Yahya Ayyash, the Hamas bomber blown up in her house by a booby-trapped mobile phone last Friday, has a quick way with reporters' notebooks: she rips them up. Everything she wanted to know about how Ayyash died would be "revealed in a leaflet tomorrow". The one point she wanted to make, she said, as she tore up another page of notes, was that her son Osama Hamad "had nothing to do with it".

Mrs Hamad has reason to feel nervous. It was in her house, a three-storey building walled off from the street in Beit Lahya refugee camp in the north of the Gaza strip, that Ayyash, the mastermind of the suicide bombing campaign against Israel, had sought refuge in the days before he died. Israeli television reported that Osama

Hamad had given the phone to Ayyash, while Palestinians said it was Mrs Hamad's brother Kamal, a local building contractor. In either case nobody doubted that Israeli security was behind the assassination.

Our initial reception at Mrs Hamad's house, undamaged by the 2oz bomb, was friendly. A man who refused to reveal his name said the small explosion did not make much noise "but neighbours thought they heard something and called the police". But Mrs Hamad interrupted him to say: "We have orders not to say anything. We asked who had given the orders. 'You don't even have the right to ask that,' she said, as she made a grab for the nearest notebook.

In Israel the Shin Bet security agency could barely contain its delight. It badly needed a success to divert people's minds from its failure to protect Yitzhak Rabin, assassinated on 4 November. The Israeli papers ran a quote from Leah Rabin saying she wished her husband was alive to learn that Yahya Ayyash had been killed. But the jubilation may be short-lived. Hamas, the Islamic militant organisation to which Ayyash belonged, probably cannot afford to respond passively to the death of its best known hero.

Earlier, at the Martyrs' Cemetery a few miles from Beit Lahya, the 100,000 men who tramped through the mud behind a truck carrying Ayyash's coffin appeared to leave no doubt. "We want buses, we want cars," they chanted, referring to suicide bomb attacks by Hamas and Islamic Jihad against Israeli buses and other vehicles. Another slogan was "Prepare your coffin Peres; the ghost of Ayyash will haunt you."

This should not be taken too literally. Hamas suspended its suicide bombing campaign in mid-summer because of its growing unpopularity. It had led to repeated border closures,

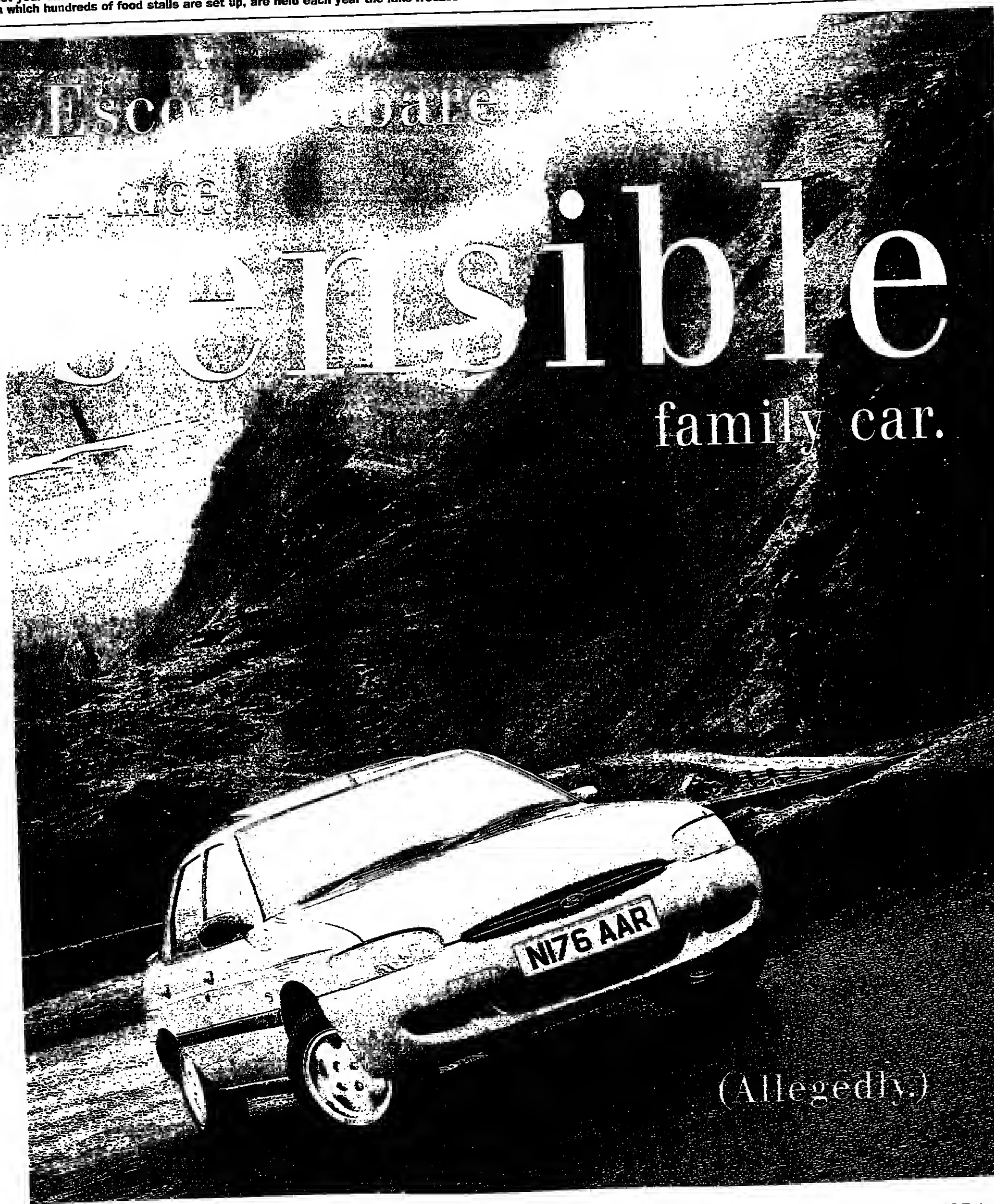
preventing tens of thousands of Palestinians working in Israel. It was also seen by Palestinians as delaying agreement on the Israeli withdrawal from six West Bank towns and the implementation of the second stage of the Oslo agreement.

Dr Mahmoud Zahar, the senior Hamas leader in Gaza, told the *Independent* at the end of the Ayyash funeral: "Now people will understand why we retaliate. The Israelis will not stop [killing Palestinians in Gaza] unless it costs them a high price." He said he had no direct knowledge of the plans of the military wing of Hamas. "But our people in the military field will answer - I don't know when or how."

Dr Zahar was careful not to repeat claims made by Hamas immediately after the death of Ayyash, accusing the Palestinian Authority of Yasser Arafat, the PLO chairman, of collaborating with those who killed him. On the contrary the Hamas leader said that Mr Arafat had just paid him a condolence call, and Ghazi Jabali, the police chief in Gaza city, had joined the funeral march.

Mr Arafat called the killing a violation of the peace. "We have made the peace of the brave. We are committed to it," he said. "We ask the other side not to violate this peace, to enter Palestinian territory in Gaza and kill and assassinate the struggler, the martyr, Yahya Ayyash."

Hamas could hide its time until after the Palestinian elections on 20 January. The ability of the Shin Bet to find and kill Ayyash will make the militants worry about how far they have been penetrated by Israeli agents. Dr Zahar says: "We will ask the Palestine Authority for weapons to defend ourselves." But Hamas has always contrasted its own success in retaliating against Israel with the failure of the PLO to do so. The death of Ayyash may produce more rather than fewer bombs.



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(Allegedly.)

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IN BRIEF

Seven die in Karachi bus blast

Karachi — A bomb ripped through a bus in Pakistan's southern port city of Karachi yesterday, killing at least seven people and wounding 35, police said. The death toll could increase. One ambulance worker said the explosion took place before sunset, when commuters were returning home from work. Ambulances took the dead and injured to hospitals as volunteers removed the wounded from the debris. At least 25 people were in a critical condition in hospital. Police have not named any suspects. Ethnic and sectarian violence in Karachi killed more than 1,800 people last year. AP

Japan awaits new PM

Tokyo — The ruling coalition agreed on a new policy platform, paving the way for the Trade Minister, Ryutaro Hashimoto (right), to be named Prime Minister this week. The deal ended two days of talks after the announcement by Tomichi Murayama on Friday that he was stepping down in favour of a new government to be headed by Mr Hashimoto. Reuter



Fighting surges in Chechnya

Moscow — Fighting in Chechnya left 27 separatists dead, the Russians said. The 13-month war in the republic appeared to be worsening after months of mostly sporadic clashes. AP

Okinawans killed by US Marine's car

Tokyo — A car driven by a US Marine mounted a pavement and killed three locals on their way home from church in Okinawa. Sentiment against US bases has been running high on the island following the rape of a 12-year-old schoolgirl in September. Okinawan police identified the dead as a 36-year-old Philippines-born Japanese, Rojita Kinjo, and her daughters, Mitsuko, 10, and Mariko, 1. AP

Haiti asks peace-keepers to stay

Port-au-Prince — Haiti's president-elect, René Préal, has asked the United Nations to extend its military peace-keeping mission by six months. The 6,000-member mission is scheduled to pull out by 29 February but many Haitians fear a resurgence in violence and crime when the peace-keepers leave. AP

Guerrilla suspected of tourist kidnap

San Jose — Costa Rican officials believe a former Nicaraguan guerrilla, Teodoro Amador Perez, and his gang kidnapped a German and a Swiss woman missing since New Year's Day. Reuter

Clean sweep

Peshawar — Leaders of the rebel Taliban faction in southern Afghanistan said that unless men grew beards in line with strict Islamic practices, they would not be allowed to work except as street sweepers. Since entering the civil war in 1994, the Taliban have captured much of the southern half of the country. AP

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American advice for Tony Blair. JK Galbraith outlines his concept of the Good Society to Andrew Marr

Compassion comes before contentment

Professor Galbraith, why do you think people have lost faith in government? Is it because they are stupid, or greedy, or is it because somebody has lied to them about government?

Well, I don't think the faith has been entirely lost. A very large number of people, very large sectors of the British and American population depend on government, one way or another. I covered these matters in *The Culture of Contentment* where I argued that we have now a large community of well-being which doesn't need the state, which has political voice, and that what we call public opinion is the opinion of what I called the culture of government.

You've talked, as you say, about the comfortable class, or the culture of contentment, but have you changed your mind at all about that in recent years? It seems to me there are a lot of people who are white-collar middle-class, who over the past few years have become increasingly uncomfortable. So I wonder how much that comfortable class, that great smug group in the middle, is breaking up?

I quite agree. There has been introduced into the culture of contentment an insecurity. One of the visible manifestations of that has been the paring off of corporate bloats, so that a lot of people have seen some diminution in their well-being.

In *The Culture of Contentment*, there was a certain distaste for the comfortable class, and I wonder whether it was fair entirely to equate people who have become, for whatever reason, sceptical about state action with people who are no longer feeling any sense of community with people who are poorer than they are. If you are sceptical about the state, are you necessarily on the wrong side of the argument?

John Kenneth Galbraith
born: 15 October 1908, in Ontario, Canada
career: economics professor, Harvard University, 1949-1975
US ambassador to India, 1961-1963
adviser to Adlai Stevenson and John F. Kennedy
selected books:
American Capitalism (1952)
The Affluent Society (1958)
The New Industrial State (1967)
The Culture of Contentment (1992)

John Kenneth Galbraith has been the most prominent and distinguished liberal in the US for four decades. In the Fifties, his expression "private affluence and public squalor" was a catchphrase which summed up what had gone wrong with American capitalism, and his writings underpinned the economic policies of the Kennedy and Johnson presidencies.

Oh no, I don't think so. In the comfortable community, there is a large concerned body that does see the affirmative role of the state in everything from basic welfare to health care to education. I'm not suggesting that I'm the only comfortable person who has identified the responsibilities of well-being.

Turning to *The Good Society*, which is your book coming out later on this year, can you explain to me what it would feel like to live in the good society?

To summarise: everybody has a sense of personal security, a basic income, basic health care, basic protection against unemployment, and we have a tolerant attitude toward immigration. We see the enormous importance of education, not purely in technical terms, but as a way of deepening the enjoyment of life. And going on to a sense of responsibility in the rich countries for what is happening in the poor countries.

To what extent does this involve a return to the principle of redistribution of wealth, which has drifted away, and about which the left has been very cautious in recent years, largely for electoral reasons?

I'm not cautious about that. I see an enormous increase in the United States of the well-being of the top 10 per cent, and particularly the top 1 per cent. At the same time there has been a diminution in income and wealth at the bottom of the scale. And I think we have to conclude that the modern market system (we use the words "market system" because capitalism has become politically incorrect), by its nature distributes income very badly, very unequally. And therefore progressive income tax is one of the great civilising influences of our time. And there's always the possibility that if one has my high marginal rates, people

of Economics

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Galbraith: in his ninth decade and still challenging the assumptions of the market system

Photograph: Giulio Broglio/AP

work harder to maintain their after-tax income.

It has always been argued the other way round, that high marginal rates of tax stop people working hard.

I don't believe that for a moment. I think motivation is unaffected by progressive income tax. I think that motivation is inherent rather than externally compelled, particularly when you get above a certain level of income.

Do you recognise any danger that the top 1 per cent are effectively out of the clutches of government tax inspectors and collectors, that there is now a global ruling class, an elite who really can't be got hold of, who will simply move from one country if the marginal rates are too high and set up somewhere else?

Oh, we have some of that, there's no question. We have a small colony down in the

Caribbean of people who have given up their American citizenship in return for an escape from income tax. I don't think they're any great loss, and I don't worry about it very much. I don't think that we're going to have an international escape from taxation.

I'm unclear to what extent you think that the Keynesian state has died away, or been challenged. Or whether you think it's still here, but that it's been captured by the wrong people.

The greatest Keynesian of modern times was Ronald Reagan, who stimulated the economy through the Eighties by large government borrowing, large deficits, and strong expenditures based on defence. Keynes would not have recommended that, I think. But there's no doubt that the notion of government employment in recession and, then, restrictive government policy in good times has proven very difficult. I still urge it, but I no

longer think that this is an easy solution.

To what extent do you think that the old Keynesian model of demand management in one economy, one country, has been made impossible by globalised economics?

The multiplier effect is lost to other countries, no doubt about it. In my new book I argue for a much larger common effort, so that when we have recession, we will have a general effort to employ people. At the same time, we will have a co-ordinated policy in good times of keeping control on expenditure, and avoiding the reduction of taxes, keeping a restraint on demand. This will mean that Maastricht, for example, will have a global aspect.

World Keynesianism?

Keynesianism in its global aspect, yes. I would agree with that language. So, I think, would Keynes.

Returning to the size of the state, one of the big arguments that you hear these days about the reasons why the state must shrink, both in terms of its share of national wealth, and in what it does, is that we're all now part of a global market, that we're facing above all the Asian tiger economies which don't have large welfare states and which have relied upon a more familiar structure of social support. Easternisation, as it's sometimes called, requires the West to cut back the size of its state and to carry on cutting back. Now is that just an excuse by people who used to be called the capitalist class?

This is an excuse. This is a justification for what they want to see happen in their favour. One of the curious things of our time is that the rich in the United States, and I think this is true also in Britain and Europe, do not want to defend themselves as rich. They want to have a larger moral case, and the idea

that Taiwan, Singapore and China are threatening Western economies is a wonderful way of escaping from selfishness into something that seems on the whole vaguely plausible.

And you don't regard that Asian threat, so-called, as something that we need to be very worried about?

I certainly do not. This is part of the larger process of economic development, and it is something to be welcomed. We must face the fact that certain industries will move to the newer countries, to the lower-cost countries.

Would I be right in saying that the pessimistic note at the end of *The Culture of Contentment* is something that you've changed your mind about, that you feel less pessimistic than you did then, and that you feel in some degree the tide of neo-liberal ideas which poured across the West so strongly in the Eighties and early Nineties is receding?

I would agree. I speak with more confidence about the United States than I would of France. We see the increase in the prospects of the Labour Party in Britain. And I think in the US we're seeing some diminution in the enthusiasm that brought us the new Congress a year ago. We have passed the crest of the recession, and are seeing that what we call the welfare state was not the invention of socialists and not the invention of liberals, but an accommodation to the larger thrust of history.

But what we haven't seen is a strongly moralistic assertion of the importance of the state, of welfare, of progressive taxation, except from a very few people, of whom you are the most eminent. Do you think that you are in a way more of a moralist, more the Ontario moralist than a Harvard social scientist?

Oh, I suppose that's possible. I grew up in the liberal community of Ontario, Canada, and was very much a part of the New Deal generation. I don't think that I've ever escaped from my past.

You've talked about the way that economists tend to disguise their own value system behind a façade of statistical truths. What is your value system?

My value system is to hope and believe that it is possible for everybody to have a decent, happy, and generally rewarding existence. I've had it, and I would like to think that I was not peculiar in this respect. I would like to think that it was generally possible.

If you were called to become an adviser to Tony Blair, or Bill Clinton in his second term, what would you tell them now about how to get elected and how to behave after they've been elected to ensure that they didn't let down the people who'd elected them?

I would strongly urge a compassionate base to sustain well-being, so that people have, even though there is some abuse, a basic income, basic health care and that we have strong and concerned investment in education, not just for the productivity of education, but for the enjoyments that come from education.

Extracts from *'The Big Idea'*, to be shown on BBC2 on Wednesday, 10 January, at 11.15pm.

DIARY

Artful way with words

Lord Gowrie is in for a difficult month. As chairman of the Arts Council, which has suffered a cut in government money, he will shortly have to announce which theatres will lose cash and which will have to close altogether. But fear not. He has not been idle in preparing for the coming crisis.

He has sanctioned the council to spend some of its diminishing money on seminars for theatres, including the Royal Shakespeare Company, on how to be nice to people - or in Arts Councilspeak the "Customer Orientated Mission Statement and Strategy Systems".

"We're trying to get them to rationalise, monitor and evaluate. There's a lot about relating to the audience," said an Arts Council official. "We're making the customer feel they belong in that organisation, that there's a relationship there. It's all very well having wonderful art on the stage or walls but if they have difficulty getting tickets, parking cars, or the usher's rude, they're not going to come back again. Yes, it sounds like it's one of those silly ideas to waste money, but it isn't. It's a long-term strategy."

The long-term customer-

orientated strategy presumably being: when there's no money in these straitened times, and artistic directors are putting on productions no one wants to see, blame the usher.

Bearded minority

My story about the Beard Liberation Front's call for a bearded Cabinet minister has led Labour Party sources to assure me that in Robin Cook they will be able to boast (election results permitting) the first bearded Cabinet minister for some years. Just how many years might surprise you. It seems that the last bearded Cabinet minister was none other than the first Fabian, Sidney Webb, who as Lord Pass-



Cook, beard of the future?

field was Secretary for the Colonies in the 1929 Labour government. Since then governments have drifted into clean-shaven uniformity. Perhaps one beard on every shortlist is the answer.



Webb, beard of the past

Got the look

Eagle Eye was intrigued to read last week by the Edinburgh neuro-psychologist Dr David Weeks, into 3,500 people who look younger than their age. After five years' research he concludes that frequent love-making may be a factor in postponing the symptoms of ageing. We put the matter to our sociological expert, who has just been elevated to the Ikea Chair of Comparative Lifestyle at the University of East Neasden.

"I suspect," he said, "that the Edinburgh research suffers from what we call a causality directional misattribution."

"What's that?" we asked.

"Cause and effect, dear boy,"

replied the professor. "My own stratified sampling has indicated that perceived hedonability rises monotonically with the inverse of the senility coefficient. It is not so much that those who make love a good deal keep their good looks longest, but that those who stay young-looking get the most sex."

You'd never believe he was near retirement age.

Going west

Norfolk Museums Service had a particularly trendy plan to boost publicity for a new clothes exhibition. They invited fashion designer and former punk queen Vivienne Westwood to open it. "Her public role is at the cutting edge of the contemporary fashion industry," said Heather Guthrie of the Norfolk Museums Service. Unfortunately, the *Museums Journal* which recorded the opening of the exhibition for the rest of the museum world was not as conversant as Ms



Westwood, once a punk...

Guthrie with the cutting edge of contemporary fashion. They captioned the picture of the opening: "Vivienne Westwood, one of the nider visitors in Norwich Castle Museum's shawl exhibition."

"My colleagues and I were somewhat dismayed," said Ms Guthrie. "As a self-confessed supporter of our cause and one who has publicly nailed her colours to the mast, she surely deserves better."

Perhaps Ms Westwood should be diplomatically assured that while being nld is bad news in the fashion industry, it is the *sine qua non* of museum life.

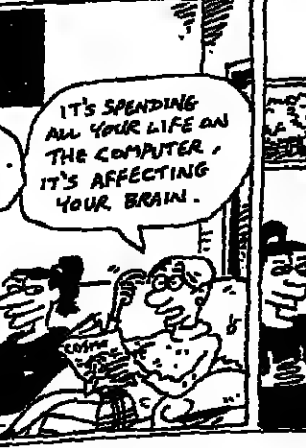
Joking apart

I was recently invited on to BBC radio to debate the ethics of diary writing with the *Guardian's* Matthew Norman. Master Norman declined. He concluded his latest diary with a joke that the stalker who harassed Madonna was called Robert Hoskins and was not to be confused with BT's own Bob Hoskins, catchphrase "It's good to stalk". This bore a passing resemblance to an observation in the *Independent* the previous day by my colleague John Walsh that the American Robert Hoskins was not to be confused with BT's own Bob Hoskins, catchphrase "It's good to stalk". Rule 32b of diary ethics is: when ncking a joke, best allow more than 24 hours to pass.

Eagle Eye

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Bigger than the battle of Newbury

The third battle of Newbury is about to commence. This time there are no roundheads or cavaliers in sight. The assailants are gathering in their bulldozers, while the besieged sit tight in their tree-houses and tunnels. Protagonists on both sides expect the fight over the proposed new by-pass to be fiercer and more expensive than the struggles over Twiford Down, or the M11 in Wansford.

So is the new road really worth all the hassle? The cross include about £100m to build the road, and who knows how much to cover the security and delays that the protesters will cause. Far more difficult to quantify is the damage to the environment around the west of Newbury. Eight miles of new by-pass will plough through three Sites of Special Scientific Interest: Snelmore Common, the river Kennet and the river Lambourn.

Yet the benefits will be significant. Everyone agrees the traffic in Newbury is a nightmare. Once the planned A34 by-pass is built, lorries travelling from the Midlands to the south coast will be able to skirt Newbury in 10 minutes, rather than spending three-quarters of an hour plodding through the town. The savings for British businesses could be considerable. And local residents will benefit, too. Newbury Council estimates that local trade in the town centre has fallen as weary locals have given up fighting their way through congested streets. Sadly for the rivers Kennet and Lambourn, Newbury needs a by-pass.

However, on its own the by-pass will not solve the transport problems in the area. While through-travellers will find their journeys drastically improved, the

by-pass will do little to reduce pollution and congestion within the town. Most of the traffic is local - trips to the shops, to work or to collect the kids from school. It is true that articulated lorries will be off the streets, but local traffic might even increase once the lorries are out of the way. The car problem in Newbury requires additional action: new traffic management schemes, from one-way systems to expensive parking, from better public transport to local road pricing.

And there are wider implications, too. Friends of the Earth are absolutely right about one thing: new roads freed more traffic. Businesses that might previously have sent their goods by rail, because the Newbury route was too much bother, could switch their heavy loads to the new A34 instead - increasing the pollution and congestion for everyone else that the freight trains avoided. The best way to tackle this is to put a toll on the new road which reflects not only the financial costs of construction but also the environmental damage caused. Otherwise, the new road simply perpetuates the hidden subsidy to car and lorry drivers.

Road pricing which takes account of environmental damage is key to a sensible transport policy for the future. Otherwise we will go on jamming up existing roads, demanding new ones at immense cost to the countryside, and then filling them up, too. New road building can make sense where the existing infrastructure is making people's lives a misery, but only as part of a complete overhaul of transport policy in Britain. Otherwise it will not matter who wins the battle of Newbury this year, for we will all be losers in the long run.

Truly blue and deeply disunited

Could the Conservative Parliamentary Party really be set on "political suicide"? Michael Mates, the former Northern Ireland Security Minister, certainly seems to think so writing in the *Mail* on Sunday yesterday. With speculation growing about other potential defections from the Tory backbenches, John Major's call for an end to internal squabbles on BBC television's *Breakfast* with Frost yesterday rang hollow. Just six months after he called a leadership campaign supposedly to unite the party, the internal hickering between the left and right wings is as virulent as ever.

We should hardly be surprised at the squabbling among the true blues. The Conservatives have always been a broad church - a coalition of two conflicting sets of views. To the left of the aisle sit the market paternalists, to the right the market-obsessed nationalists. Throughout the history of the party the two wings have argued, competed and taken their turn at dominating the Government. The different wings ought to be able to engage in constructive debate without unleashing howls and laments about "damaging internal splits".

However, the troubles that plague the Tories at the moment reflect more than just a healthy political difference of opinion. Where the leadership appears strong and in control, policy disagreements among underlings can be healthy and constructive. But voters feel uneasy when the direction at the top seems to waver in the wind, battered first by one faction and then by another. It is even worse if the fights take place in election years. When

the factions appear far apart, people do not know what they are voting for. Who knows who will hold the reins of power inside the party in six months' time?

The second problem is that neither wing offers the electorate a persuasive alternative to Tony Blair. The right has plenty of ideas about cutting the welfare state and withdrawing from Europe, articulated most coherently by Norman Lamont in recent months. But its views are far from the centre of popular opinion and it lacks impressive leaders to carry it forwards.

The left of the party boasts a list of heavyweights including Michael Heseltine, Kenneth Clarke and, when he returns from Hong Kong, Chris Patten. These members are guilty of failing to offer a robust enough defence against some of the lunacies of the right. The new Macleod group within the party, striving to present proposals from the centre-right, is a welcome corrective and should loosen the launch of its first pamphlet. But the biggest problem for the Tory wings is Mr Blair: anything they want to say, Mr Blair says better.

Mr Clarke is closer on most policy issues to Mr Blair than to Michael Portillo. Only their history and traditions keep them apart. Emma Nicholson and Alan Howarth finally decided they had more in common with other parties than with their own colleagues. The future of the Conservative Party - both at and after the next election - will turn on whether it still has more to unite it than to divide it. And also on whether its members have a leader behind whom they are prepared to unite.

Mr Howard's personal deportation order

The controversial decision to deport the Home Secretary, Michael Howard, has been stoutly defended by the Government. Commentators say that the Government was very clever in slipping the announcement out over a weekend during which the British public seemed obsessed with the National Lottery to the exclusion of all else.

In fact, most of the British public still seems totally unaware that Mr Howard has been given seven days to leave the country and the press is playing it down for fear that the Government may change its mind.

"This deportation has nothing to do with the fact that Michael Howard comes of immigrant stock," said a spokesman from a rejoicing Home Office. "There is, in fact, some little-known legislation under which we could have deported Michael Howard, on the grounds that the original decision to admit his forefathers was obviously, in retrospect, a faulty one. But we did not want to make a martyr out of Mr Howard. We did not want him to be seen as a victim of the same repressive policies that he has been so vigorously promoting all these years."

"Nor did we want to embarrass people like Amnesty, who might sud-



MILES KINGSTON

denly find themselves in the position of defending a man like Michael Howard as a victim of racism or ethnic oppression. It simply wouldn't have been fair on Amnesty."

"No, this decision to deport Mr Howard is a straightforward business decision. Just as the Government wishes to keep on good terms with the Saudi regime and is prepared to deport Saudi dissidents to do so, so the Conservative Party wishes to keep on good terms with the British electorate and to be re-elected for another profitable, highly lucrative term in office. Our market research has shown that there are certain persons in office who are perceived to be an electoral liability. John Selwyn Gummer is one, and Virginia Bottomley is another."

But surely they are still in office? "Ah, they are still in evidence, but they are being gradually withdrawn

from circulation and I think you will find by the time of the next election that they are no longer legal tender, as it were. But Michael Howard is the name that keeps coming up in our private polls as most detrimental to Tory hopes, and so it makes sense to get him out of the way before he does any more damage."

But surely you can't deport a man simply to improve your election hopes?

"Of course not. There are sound business and commercial reasons as well."

Such as?

"Well, you may from time to time have switched on your television set during the Conservative Party conference..."

No, I have not.

"Well, if you had, you would have come across the unedifying sight of Mr Howard frothing over his spectacles and shouting 'Prison works! Prison works!' and promising wildly to build many more prisons to house our criminals."

"Now, not only is Mr Howard wrong about prison working - all the evidence suggests that prisons brutalise without reforming, thus creating more, not fewer, criminals - but building prisons costs a lot of money. So having this penal maniac in charge

of the Home Office is proving ruinously expensive for the country. Therefore, getting rid of him will save us a lot of money."

"Already we have the highest per capita prison population in Britain. Mr Howard is, bluntly, bankrupting the country for his own cranky ideas. We cannot afford not to deport him, especially now he has decided to waste further money on prosecuting dying Nazi war criminals."

"Nor is that all. As Mr Howard refuses to take the blame or responsibility for anything, we are constantly finding that the people in charge of prisons are being fired by him as scapegoats or are resigning because they find him impossible to work with."

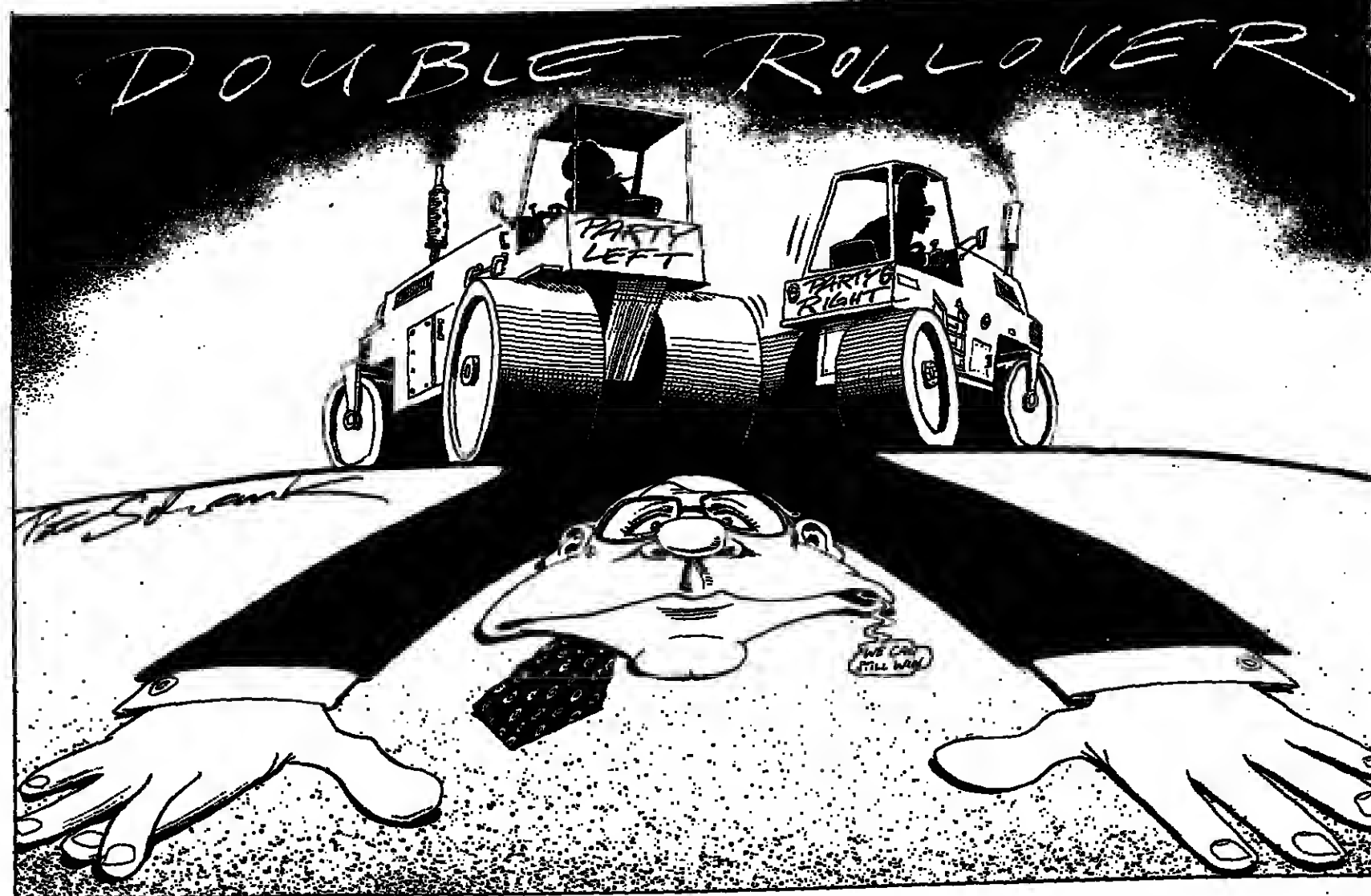
"They say he is a knee-jerk politician and forms policy by knee-jerk reaction to tabloid headlines."

Is that fair? Would the spokesman agree with the "knee-jerk" accusation, for example?

"Well, not entirely. Knee, no. Jerk, perhaps."

And how will Michael Howard be spending his last seven days in Britain?

"He will be looking for a country that is prepared to accept him. Now, this could well become a full-time occupation..."



LETTERS TO THE EDITOR

Political asylum does not permit propaganda campaigns

From Mr J. A. Davis

Sir: Your extreme indignation at the proposed deportation of Mohammed al-Masari is, I suggest, misplaced (Leading article: "A stinking, rotten deal", 5 January). He is not being "sent into exile". He already is in exile. He is merely being required to change the place of his exile. Political asylum exists merely to provide a safe haven for those who might otherwise suffer persecution for their views. It does not exist to provide a secure base for those who wish to pursue propaganda campaigns against the lawful governments of countries with which we maintain friendly relations. Mr al-Masari, while a guest here, was acting in ways which were contrary to our national interest in pursuing law with a friendly nation.

He is being required to leave for abusing our hospitality, nothing more sinister than that. Yours faithfully, J.A. DAVIS
Bookham, Surrey
6 January

From Mr James R. Adams

Sir: I am totally opposed to the international arms trade. With the quantity of weaponry in the world, I am at a loss to know why another gun should be made or sold. I am appalled that the minuscule and diminishing budget of the Overseas Development Agency seems seldom to

have as a priority those most in need of development overseas.

And yet, Mohammed al-Masari has been a guest in this country, and has used that position to attempt to subvert another country with which we have friendly relations, and which was an ally in a recent conflict. Although Dominica seems less urbanised than the UK, I would be surprised if Mr al-Masari was unable to find a fax machine there.

In short, his deportation will put him in no danger, will not stop his activities and will remove economic risks from many ordinary UK citizens. This seems to me to be a rational act. Yours faithfully, JAMES R. ADAMS
Weybridge, Surrey
6 January

From Mr Randhir Singh Gains

Sir: Your leading article on Saudi deportation states that "all Mr Masari has done is engage in a peaceful campaign against a medieval, absolutist monarchy". While Mr Masari may not have been directly involved in violent activities directed against the Saudi government, his London-based Committee for the Defence of Legitimate Rights appeared to condone last year's bomb attack on an American building in Riyadh.

However, in attempting to condemn his deportation, one only

needs to defend the principle of asylum, not the man at the centre of controversy. Indeed the Government did exactly that when, a few years ago, it refused to deport the Sikh separatist leader Jagjit Singh Chohan to India, or the MQM leader Altaf Hussain to Pakistan, although both of them were accused of instigating terrorism in their countries of origin.

But now, by ordering the deportation of Mr Masari at the behest of Saudi regime, the Government has not only exposed itself to the charge of following double-standards but has also set a dangerous precedent for rendering Britain's asylum laws amenable to external pressure. Yours faithfully, RANDHIR SINGH GAINS
Gants Hill, Essex
7 January

From Mr Tara Mukherjee

All fair-minded people would wholeheartedly share your sentiment as expressed in your leading article. If the Secretary of State for Home Affairs is satisfied that there is a safe country to which an asylum applicant can be sent, his application will probably be refused without substantive consideration of his claim to refugee status, as UN rights for refugees do not cover asylum seekers.

The Council of Ministers should ensure:

a) the respect of Article 14 of the 1951 Geneva Convention for the harmonised use of the term "refugee";

b) immigration ministers publish criteria concerning safe countries and there is a control exercised by the European Parliament in the definition of the said criteria;

c) the rights of asylum seekers and refugees while their applications are being processed;

d) the right of appeal by the asylum seekers and the refugees in the event of the application being rejected.

Yours faithfully, TARA MUKHERJEE
President
European Union Migrants' Forum
Brentwood, Essex
5 December

From Dr Pete Connolly

Sir: I wonder if Ann Widdecombe could clear up a nagging concern I have?

Two years ago, because I felt my Saudi employer was jeopardising my safety, I was obliged to break my contract and not return to my job in Riyadh. Should I be concerned that, in the light of recent events, there may come a time when the British government might force me to return, since it might be good for business?

Sincerely, PETE CONNOLLY
Braintree, Essex
5 January

Internet: the more on it, the merrier

From Mr Tim Minshall

Sir: I was most interested to read Paul Valley's excellent article ("Sex on the Net: a very modern morality tale", 6 January) as it highlighted the need for informed debate if the Internet is to develop to the benefit of society as a whole. A couple of points would seem to be worth reinforcing.

First, despite the fact that the number of new users of the Internet is increasing at an exponential rate, more users from all walks of life are required to

dilute the mystique that surrounds its use and gives fuel to ill-informed speakers, writers and other opinion-mongers.

Second, effective attempts to filter out obscene material seem to result in cases almost as comical as one recently reported in the US. One Internet service provider decided to filter out groups that used the word "breast". The result was a ban on discussions that covered certain types of cancer, infant feeding and, presumably, body armour.

Yours faithfully, TIM MINSHALL
Christ's College
Cambridge

Sober facts about drink-driving

From Mr Andrew Barr

Sir: Graham Allen, MP, asserts (letter, 4 January), that the estimated 1,000 accidents "caused" by drink-driving over Christmas is too low.

If anything, the figure exaggerates the problem. If there has been an accident, and one of the drivers involved is found to be over the blood-alcohol limit, the accident is automatically attributed by the police to drink-driving - whatever actually caused it.

And, since according to the police - most accidents are caused, not by drink, but by excessive speed and anti-social driving habits, it is quite likely that many so-called "drink-driving" accidents were indeed caused by something else. If the Government devoted more of the money it spends on telling people not to drink and drive to informing people about the dangers of driving when tired or ill or in a bad mood or in a hurry, it might well find that the number of "drink-driving" accidents were greatly reduced as a result.

Yours sincerely, ANDREW BARR
London, NW6

What's in a name?

From Miss Mary Dalton

Sir: Marys and Margarets are not dull people as Mary Braid's advice ("Dear Paula Yates", 2 January) to Paula Yates implied. I do not have a dull life and I am sure that a name cannot determine the character of someone. I am not going to be a librarian - I would like to be a vet or a scientist. I have no wish to have blonde or red hair - I like my own.

Marys and Margarets can also be famous. I am sure that Baroness Thatcher would agree with me.

Yours faithfully, MARY DALTON (aged 11)
Datchet, Berkshire
2 January

Students must take care of themselves

From Mr Erik Empson and others

Sir: Stephen Pritchard ("Easy marks for criminal classes", 4 January) reports growing crime against students on and off the campus. As students, what we object to is the underlying assumption of the article.

The idea that students are weak and in need of mothering by the "local community", the police and the student union is wrong. University is meant to be about the severing of apron strings and establishing oneself as an independent-minded adult.

There is no substantiated evidence to suggest that students are at greater risk from crime. But there appears to be an established consensus that we are still children. Every hall of residence these days is constructed like a prison, perhaps to keep students in as much as the "locals" out.

We would much rather have advice on how to cope with a pitifully low grant or no books in the library than the sort of advice that recommends that we lock our front door.

Yours independently, ERIC EMPSON
A.C. HARRISON
KATE SIMMONS
London, N16
5 January

Chaos close to home

From Mr John Coe

Sir: In his article "Europe awaits Italy's big aria" (3 January) Andrew Gumbel uses phrases such as "public finances so chaotic..." "deep institutional crisis", "country in such domestic turmoil" to describe the state of Italy. Last May, on holiday in Italy, I obtained £2700 to the pound. Today's tourist rate is £2400 - a drop of about 11 per cent. What does this say about the state of our country?

Yours sincerely, JOHN COE
Westcliff-on-Sea, Essex

Big stakes on a lottery win

From Dr E. Moran

Sir: As reported by Rebecca Fowler ("Everyone's gone ticket crazy", 6 January), the large jackpot not only attracted new punters to the lottery draw but also resulted in those who had previously bought tickets spending more. The significance of this needs to be emphasised.

The amount of money staked on the weekly draw is not evenly distributed throughout the participating population. In the United States, it has been found that while the expenditure of most ticket purchasers is light or moderate, the major portion of the total amount of money staked comes from a relatively small group who spend large amounts of money. Thus, in California, the 10 per cent of the adult population who purchased most tickets accounted for 65 per cent of the total amount of money staked.

The findings of a recent survey conducted in the United Kingdom seemed to be consistent with the American experience. Clearly, the impact of the generalised increased purchase of draw tickets resulting from the large jackpot is greatest on the group that was already spending the highest amounts. Furthermore, the extensive publicity about the jackpot and other winners obscures the fact that the vast majority of those who purchase draw tickets win nothing, including those who stake large amounts.

Yours faithfully, E. MORAN
Chairman
National Council on Gambling
London, N14
6 January

From Mrs Anne Capon

Sir: Neither my husband nor myself play the lottery and have no intention of playing, ever.

Therefore, after reading today's front-page story on "Lottery mania sweeps the nation" (6 January) and being informed that "nearly every adult in the land has bought a ticket", I wonder if, perhaps, we qualify for an entry into the *Guinness Book of Records*?

Yours faithfully, ANNE CAPON
London, W13
6 January

Design credits

From Mr Dominick Reymtens

Sir: White I welcome June Osborne's letter (6 January) putting the record straight on who actually made the "Piper window" in Ilkley, may I be so bold as to remove some final kinks.

My father, Patrick Reymtens, learnt his craft from Joseph Nutgens's father, E.J. Nutgens, the famous glass painter. In later years, my father taught the craft to David Wasley and employed both him and Joseph Nutgens in his studio, where they frequently worked on Piper windows. The final tally on the realisation of Piper windows is: Patrick Reymtens in the region of 50, David Wasley, three, and Joseph Nutgens, one.

In the contract of Liverpool Cathedral, my father is credited as co-designer with John Piper. Yours faithfully, DOMINICK REYMTENS
Winchester, Hampshire

Post letters to Letters to the Editor, and include a daytime telephone number. Fax 0171-293 2056; e-mail: letters@independent.co.uk. Letters may be edited for length and clarity.

Triumph of hope over laws of probability

The appeal of lotteries is profoundly pagan because it elevates the role of chance above that of God and reason

So you think the lottery has peaked. So do you? Well, I can understand your reaction.

Nine out of every 10 adults (that is about 40 million people) bought a ticket last week, shelling out a flabbergasting £128m in the space of a week. Given that only three people won a share of the £42m jackpot and that only a million or so won anything at all, that leaves about 38,999,997 punters tearing up their tickets in disgust and muttering to themselves, "Never again."

But they will soon be back. And what is more, this is merely the beginning of lottery mania. Soon, I predict, only a handful of cranks like me will shun the weekly mass flutter.

My authority for this prediction is impeccable. It is the great Argentine writer Jorge Luis Borges whose short story, *The Lottery in Babylon*, which was first published more than 40 years ago, should be required reading for all the lotto-holics.

In Borges's imaginary ancient Babylon, the lottery begins as "a game of plebeian character... Barbers sold, in exchange for copper coins, squares of bone or of parchment adorned with symbols. In broad daylight a draw took place. Those who won received silver coins."

But this elementary system proved only modestly successful because it was "not directed at all of man's faculties, but only at hope". So someone suggested a reform (Camelot, please note): "the interpolation of a few favourable tickets in the list of

favourable numbers". This reform meant that punters ran a double risk: not only of winning a considerable sum, but of losing it, too. "This slight danger," immensely increased public interest. The lottery became a kind of mass Russian roulette.

Nor was this all. When all the losers refused, or were unable, to pay their fines, "the Company" (as Borges called the organisers of the lottery) sued them and secured their imprisonment. After a while, "the lottery lists simply omitted the amounts of fines and lifted themselves to publishing the days of imprisonment that each unfavourable number indicated".

Yet this, too, implied reform: if losing could take a non-monetary form so, too, should winning - or so it was argued. And was it quite fair that the rich should be able to afford so many more lottery tickets than the poor? "The just desire that all, rich and poor, should participate equally in the lottery" led to its being made secret, free and universal. "The mercenary sale of chances was abolished... Every free man automatically participated in the draw... which determined his destiny until the next draw."

This perfected system was no longer merely a game of chance: it was a way of life. Indeed, it was life itself. "A fortunate play could bring about promotion to the council of wise men, of the imprisonment of an enemy... A bad play: mutilation, infamy, death." Babylon thus became "nothing else than an infinite game of chance".

Of course, in order for such a sys-



NIALL FERGUSON

The chance of winning millions of pounds is infinitesimal, we know

tem to function properly, it was necessary for "the Company" to be given total power.

Now the point of all this is not to prophesy that Camelot - our own version of "the Company" - will one day take over all our lives (though there were times during the weekend when this began to seem a distinct possibility). The point is that Borges had a deep insight into the appeal of all lotteries. That appeal is profoundly pagan, because it elevates the role of chance above that of God or reason.

There are two reasons for buying the lottery, and only two. One is an ethical - usually religious - aversion to gambling. This is most strongly developed among Calvinists. Not only does their belief in divine predestination leave no room for the operation of chance; Calvinists also insidiously

feel that good fortune must be earned by hard work - hence their aversion to all forms of gambling.

There is, I suspect, an atavistic element of this in my boycott of the lottery. But it is the second argument - the rational argument - which, to my mind, counts for more. It is the simple matter of probability. The chances of winning millions of pounds are so infinitesimal as to make it irrational to participate.

That is not to say that all gambling is irrational - just the lottery. Other popular forms of gambling - betting on horse races, for example - contain a genuinely rational element. It is possible, by studying the form of racehorses, to make informed predictions about their chances of victory in a given race.

However, to pay £50 for a handful of lottery tickets - like the man queuing in front of me in the petrol station on Friday night - is not rational. It is a triumph of mere hope over the laws of probability.

How are we to account for the present mania for the lottery? The answer should be obvious: 90 per cent of us are clearly neither Calvinists nor Rationalists. Or, to put it another way: only 10 per cent of us continue to be in any meaningful way influenced by the teachings of either the Reformation or the Enlightenment.

Not that this is wholly surprising, though I confess I would have expected the proportions to be more evenly balanced. After all, the 20th century has waged something like a

war of attrition against both Protestantism and reason. A few ingenious scientists, notably the distinguished Richard Dawkins, continue to believe that reason is winning its long-running battle against all forms of "superstition". To Dawkins, belief in Calvin's God is as irrational as belief in astrology - or the National Lottery.

Yet his own work on genetics, especially his theory of the selfish gene, implicitly weakens the rationalist case by arguing that the conscious individual is merely a "machine" or "a temporary vehicle for a short-lived combination of genes". Up to a point, genes depend for their survival on the rationality of their "vehicles". But (as Stephen Gould and others have argued) luck also plays a pretty big part, for the simple reason that major environmental changes cannot be predicted.

Nor can the minor changes we call the weather. This was one of the first problems addressed by chaos theorists such as Edward Lorenz. Which brings us to the heart of the matter. Calvin and Newton agreed on one thing: that the universe was governed by deterministic laws. But chaos theory tells us those laws are so complex as to rule out accurate prediction. It seems the universe itself has become a lottery.

Small wonder, then, that "the Company" is doing so well: the National Lottery is simply a profitable offshoot of the chaos theory. Only one question remains: how long will it be before Borges's vision is realised and we can run the delicious risk of actually losing £42m by buying a ticket?

No longer the rubber stamp

Jonathan Eyal looks at Russia's foreign policy after Kozyrev

The resignation this weekend of Andrei Kozyrev from Russia's foreign ministry has been greeted by Western governments with a deafening silence. The subject of intense hatred among Russia's nationalists and Communists, Kozyrev has long been a liability for President Boris Yeltsin. His departure, elegantly explained away by a decision to opt for a parliamentary seat, allows Yeltsin to grant one of the nationalists' main demands without having to perform a humiliating climbdown.

In theory, nothing has changed: Russia will still need Western economic assistance regardless of who is in charge of its ministries, and the country is now tied to myriad international treaties and organisations, something which should preclude violent swings in foreign policy. Yet Kozyrev's demise remains important, for it signifies just how hollow the much-touted "partnership" between Moscow and the West really is. A new foreign minister is unlikely to opt for outright confrontation. But the Kremlin will demand real concessions for its co-operation. The age of irrelevant communiqués and grand talk about united continents is over; the games of balance-of-power and spheres-of-influence have returned and with a vengeance.

Kozyrev originally espoused the idea that the end of the Soviet empire was a liberating experience for Russia itself. But, unlike other empires, the Soviet Union collapsed suddenly and peacefully, and most Russian leaders genuinely believe that the demise of the Soviet Union was a mistake which must be corrected. They differ on methods and on the countries concerned, but that the former Soviet republics should be brought under Russian control, and that Russia is entitled to a sphere of influence as a great power, is now the accepted wisdom in the Kremlin.

The great Russian-Western partnership was based on two myths: the belief that a democratic Russia would, by definition, share similar strategic interests with the West, coupled with the assumption that it was possible to treat Russia as a great power without actually making any real concessions.

The Russians acquiesced in the Gulf war; the Americans were grateful for the co-operation, but proceeded to eliminate Russia from subsequent Middle Eastern diplomatic initiatives. Yeltsin was told to stop supplying weapons to unstable or unsavoury governments, only to see Western arms sales soar.

Russia was also promised an involvement in Bosnia, but when the West decided to bomb the Serbs last year, it did so in the full expectation that Yeltsin would be forced to acquiesce. The "dialogue" between the West and Russia ultimately amounted to little more than formal meetings at which the Russians were expected to ratify decisions already taken by other governments. And, with each crisis, the frustration of the Russians grew. In the words of one leading politician in Moscow, the Russians were once either respected or feared; now they are neither.

All Western governments are sincere about involving Russia in a genuine co-operation. The snag is that what the Russians want - spheres of influence - the West is unable to concede, and what the West offers - new treaties designed to erase such spheres - the Russians no longer find interesting. Such difficulties cannot be reasoned away, for they arise from different strategic interests. The West needs a stable and predictable Europe. Yet Moscow's

Not spelling out what it wants is now Russia's policy in Europe

opposition to Nato's enlargement in central Europe is not based on any clear idea about what the continent's security arrangements should be, but rather on the assumption that, once Russia's economic difficulties are sorted out, the Kremlin would be able to get a better deal. Thus, not having a policy, not spelling out what it actually wants, is now Russia's policy in the heart of Europe. And even if the Russians ultimately agree to a treaty in Europe, they will insist that, in return, their own control over the space of the former Soviet Union should be explicitly accepted.

In short, an entire Moscow political elite now seems to believe a Russia that is feared is likely to be treated with more respect by the West than a Russia that is loved.

The West can either reach an accommodation or choose to confront Russia's demands openly. But the result will be the same: a world divided into spheres of influence.

The author is director of studies at the Royal United Services Institute in London

War without casualties

Christopher Bellamy draws a lesson from the BBC's new series on the Gulf war which began last night

Five years after the end of the Gulf war we are now beginning to explain some of the mysterious decisions of the time, and to begin to draw lessons about modern warfare. Promotional excerpts from the BBC's new four-part documentary series *The Gulf War*, and the reactions to them, mark the time as a turning point in the West's attitude to war and peace. What changed was the attitude to casualties. Allied and Iraqi. The subject permeates the series and has permeated the reaction to it.

The BBC and Fine Art Productions, which made the programmes, have found much new footage and tracked down most of the key players - including Saddam Hussein's chief of intelligence, General Wafiq al Samarra, now in exile. They have thus cleared

There is a danger we will get too squeamish. But things do go wrong in war - it's messy

up many of the mysteries of the war: the taking and causing of casualties determined Iraqi strategy; the Iraqis did not use their chemical weapons arsenal because they feared retaliation; Saddam hoped to win by inflicting casualties on the Western powers, which he believed they would find intolerable - in fact, they suffered very few.

Five years on, the Gulf war still appears as an extraordinary example of the art of war. It stands out as a paradigm of "limited war", as defined by the West's greatest thinker on that terrible subject, Carl von Clausewitz (1780-1831). It was a war limited by its political objectives, in which the military campaign was turned off the moment very specific objectives were achieved. The political and diplomatic achievement in holding the anti-Iraq coalition together, and the execution of the Allied campaign with fewer Allied casualties than anyone dared hope, still seem almost miraculous in a world that has since become used to the endless complexities of places like Somalia and Bosnia.

But even though the Western casualties were so few, they still dominate



General Sir Peter de la Billiere

discussion. In the second programme, for example, the British commander in Saudi Arabia during the war, General Sir Peter de la Billiere, says he wanted to stop the RAF from using low-level bombing targets earlier than they did, but that he was subject to "disgraceful interference" from a "senior officer" in the Ministry of Defence, which might have resulted in



Casualties, both Allied and Iraqi, changed the West's attitude to war and peace

Photograph: P. Durand/Sygma

unnecessary losses among the RAF's air crews.

Sir Peter's statement has led to a furious row in which the RAF has been accused of dogmatism. The accusation is that the "senior officer" was apparently concerned that after years of investment in low-level training and weapons designed for low-level firing, the RAF might look stupid if the tactics proved too dangerous to employ in wartime.

Sir Peter says the decision could have been taken earlier. Baroness Thatcher, the former Prime Minister, interviewed for the programme, said she had also been concerned at the relatively heavy losses among the RAF and had "let her views be known".

In fact, the decision to stop low-level bombing was taken at the right time and if it had been moved forward a day, it would have made very little difference. The RAF had trained to bomb airfields at low level, to get under enemy radar, and had therefore developed weapons that only worked at low level. Once the Americans had knocked out the Iraqi radars that controlled their missiles, it was safer to move to higher level, out of range of guns. At the same time, it became obvious that the Iraqi air force was not going to fight anyway, so there was no point bombing the airfields.

Last week, the RAF rallied to meet the criticism. The Chief of the Air Staff, Air Chief Marshal Sir Michael Graydon, said it was a "storm in a teacup". He is right. Air Chief Marshal Sir William ("Bill") Wratten, who now commands RAF Strike Command, was Sir Peter's air commander, commanding the RAF component of

the Allied air campaign, which was run by the Americans. Sir William said he was unaware of any interference from someone in the MoD. In any case that person, whoever it was, would not have been in the "chain of command" and therefore did not matter. Sir William (RAF) answered to Sir Peter (Army) and he answered to Sir Patrick Hine (RAF), the "joint commander" of the British operation at High Wycombe, who in turn answered to the Chief of Defence Staff (also RAF). On the face of it, if there was an argument about air tactics, there were plenty of airmen above and below Sir Peter to sort it out.

Last week, Sir William said that he took the decision to move away from low-level bombing on the fourth day of the war, and was under no pressure to do other than he thought fit. "We're talking a day either side," he said, "maybe hours."

In the first five days the British lost four Tornados GR1 low-level bombers. The first crew, John Peters and John Nichol, survived, were shot down on 17 January, captured and tortured, but later released. John Nichol is now leaving the RAF to write novels. (Last week, he said that RAF losses in the Gulf war were fewer than would be expected in a normal year's training.) The second crew, Nigel Ellsdon and Max Collier, were killed on 18 January. A third crew survived being shot down on 20 January, a fourth died on 22 January.

Even if the decision to move to high-level bombing had been taken a day or two earlier, bearing in mind that the 200-page computer-generated set of orders for the air campaign was

issued 24 hours in advance, it might have saved one aircraft - two men.

When asked about the switch from low to high-level tactics, Sir Peter changed dramatically. And that applies to the "enemy", as well. The BBC programme reveals the process that led to the ground campaign being halted. The fear of accusations of butchery against the fleeing Iraqis led to the decision to halt the campaign early, which let Saddam's Republican Guard escape. Interviews with General Colin Powell, the US Chairman of the Joint Chiefs of Staff, reveal that the US decided to halt the campaign even before the grisly film from Mutha ridge, where fleeing Iraqi troops were incinerated, had reached the TV screens. "I pointed out that we were starting to see some scenes that were unpleasant," says General Powell.

Concern for Allied and Iraqi lives led Powell to call a halt before one of the declared objectives - the destruction of the Republican Guard - was complete. Maybe that was right, too. But there is a danger we will get too squeamish. We will expect military operations to go smoothly - when almost invariably, they do not. We will demand that "something must be done", and go to war too easily. The moment we see "something unpleasant", we will demand withdrawal - which can compound the problem - and look for someone to blame. Things do go wrong in war. It is a messy business, not to be taken in hand lightly.



John Nichol: tortured but released

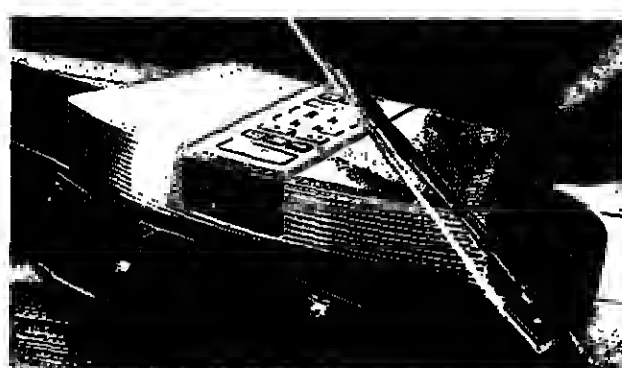
Last week, Sir William said that he and Sir Peter were good friends and was anxious to avoid an argument. One of their memories is clearly at fault. But does it really matter? The fuss that has been made since reveals a profound change in our attitude to casualties in war. What must the veterans of bomber command in the Second World War think of the fuss

about the possible unnecessary loss of one aircraft?

What matters is that attitude to casualties in military operations has changed dramatically. And that applies to the "enemy", as well. The BBC programme reveals the process that led to the ground campaign being halted. The fear of accusations of butchery against the fleeing Iraqis led to the decision to halt the campaign early, which let Saddam's Republican Guard escape. Interviews with General Colin Powell, the US Chairman of the Joint Chiefs of Staff, reveal that the US decided to halt the campaign even before the grisly film from Mutha ridge, where fleeing Iraqi troops were incinerated, had reached the TV screens. "I pointed out that we were starting to see some scenes that were unpleasant," says General Powell.

Concern for Allied and Iraqi lives led Powell to call a halt before one of the declared objectives - the destruction of the Republican Guard - was complete. Maybe that was right, too. But there is a danger we will get too squeamish. We will expect military operations to go smoothly - when almost invariably, they do not. We will demand that "something must be done", and go to war too easily. The moment we see "something unpleasant", we will demand withdrawal - which can compound the problem - and look for someone to blame. Things do go wrong in war. It is a messy business, not to be taken in hand lightly.

The writer reported for the *Independent* from Saudi Arabia throughout the Gulf war



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obituaries/gazette

Terence Cuneo

Arriving at the Mall Galleries in London during the hanging for Terence Cuneo's retrospective in 1988, one was confronted by a huge amount of work still contained in enormous pantheons. Inside were paintings of military subjects, a variety of portraits, large canvases of equestrian subjects, by the time I approached the third wall it was clear that this was going to be a big exhibition. I glanced into the gallery, which was already full of works hung from floor to ceiling, and there in the middle of this chaos was Terence Cuneo, his daughter and some friends. They were trying to convince the artist that the show was complete - Cuneo wanted to show everything he had borrowed, so as not to upset anyone who had lent works.

It was difficult. One room with a signal-box at the entrance showed his train paintings (he designed the set of stamps to commemorate the 150th anniversary of the Great Western Railway in 1985 and even had a train named after him in 1990), another the military paintings, including a large picture of the clearing of a minefield in North Africa - Cuneo later told me to stand before it and blink fast to give the impression of movement which he tried to convey. The other gallery contained his fine portraits and ceremonial paintings. He was a naturally prolific artist. Throughout the show, on

every painting, was his signature mouse, often on guard or riding on the back of a cowboy in a stampede.

A detailed and lengthy *Who's Who* entry mentions Cuneo's upbringing, background and art training (his parents, Nell Tenison and Cyrus Cuneo, a Garibaldi by descent and a pupil of Whistler, were both artists; he himself attended Chelsea Polytechnic and the Slade). But what makes a young artist withdraw from the painting values taught by the Slade to become the traditionalist and commercial artist we know?

Terence Cuneo was always searching for new subjects away from the studio. He first made his mark as a racing artist in the 1920s, with his "Pawwork" series depicting Le Mans and other racing circuits. This was the training ground for future subject matter - the excitement of speed, business and movement which would come into his later works of equestrian subjects.

His technique and skill developed when he became a war artist in the Second World War - another field for him to conquer - and later with his many travels to such places as Ethiopia and the Far East. An exhibition of his work soon after the war demonstrated his inquisitive eye. The many military works that came out of the war and later are to be seen in the various museums around Britain: the Royal Artillery and the Rifle Brigade among others.

In America Cuneo was elected an Honorary Town Marshal. He would ride the range and paint a stampede. The little mouse would always be there. When he painted the Bedouin, the desert scenes showed his flair for painting direct from life, his colour capturing the harshness of life. To survive, and to solve different problems, gave him great pleasure.

One challenge was painting delicate detail. This can be seen in his pictures *The Visit to Lloyd's of Queen Elizabeth II with the Duke of Edinburgh to lay the Foundation Stone of Lloyd's New Building* (1952), *The Queen's Coronation Luncheon*, *Guildhall* (1953), and many other scenes from Westminster to Buckingham Palace. Cuneo painted a number of pictures of the Queen, and was the official artist at the Coronation in 1953.

Cuneo's portraits on the grand scale show the artist at his fluid best. His fine equestrian portrait *HM the Queen as Colonel-in-Chief, Grenadier Guards* (1963) again shows Cuneo the observer, its simplicity of shape and line in contrast to the busy details of earlier paintings. He also painted official portraits of Field Marshal Viscount Montgomery of Alamein, Edward Heath and Col H. Jones VC.



An inquisitive eye: Cuneo at work on a Science Museum canvas, 1948. Photograph: Hulton Deutsch

When elected to the Society of Equestrian Artists as its first president, Cuneo gave his complete support, always showing his latest works, whether of his travels or the first viewing of an important commission. At selections for the open exhibitions he would be critical but constructive, finding the good point in a young artist and quick to praise. Cuneo loved storytelling and it often shows in his work. The paintings would be considered in stages - first the shapes and the subject matter, then the detail and the real point of interest. He made numerous preparatory studies and was forever correcting. The final work would be highly finished. Some may find fault in this. But why not just look?

There is always a place for an artist who observes, records and illustrates. The camera can lie, so can an artist to himself, but never to his public. Terence Cuneo was a public man: it shows in his work, the time he gave to many committees and in his universal friendship.

Tom Coates

Terence Tenison Cuneo, painter, born London 1 November 1907; OBE 1987; CVO 1994; author of *The Mouse and His Master* (1977); married Catherine Monro (died 1979); one daughter and one daughter deceased; died Esher, Surrey 3 January 1996.

Lord Colyton

Of the three careers in diplomacy, politics and business of Henry Hopkinson, first Baron Colyton, it is hard not to conclude that he was happiest in the first, although he also enjoyed a fascinating time in Africa in the 1960s.

The high point of his political career, as Minister of State for Colonial Affairs between 1952 and 1955, was a period of great anxiety and disturbance in the colonies, "about as tough and challenging a task as you will find", to quote his friend and chief Oliver Lyttelton, later Viscount Chandos. There was the emergency in Malaya, the Central African Federation with which Colyton was closely associated, Kenya with the convulsion of Mau-Mau, Nigeria, Uganda, British Guiana, Malta and Cyprus.

In an unsympathetic review of Colyton's memoir up to the end of his diplomatic career in 1946, *Occasion, Chance and Change* (1993), Enoch Powell chose to enlarge on the subject of "the Cyprus Never", which was not mentioned in the book since it did not come up until 1954. "Never say never" may be wise advice and, strictly speaking, despite the jibes of the Opposition, Hopkinson did not. When in that year he addressed the House of Commons on the question of independence for Cyprus he was presenting the policy of the Government, agreed in Cabinet, in words which Lyttelton, his senior minister, would have used had he been there. The question of the abrogation of British sovereignty cannot arise... British sovereignty will remain."

As the historian Andrew Roberts responded to Powell, Britain still, 40 years on, has two sovereign bases on Cyprus and "the presence of alien troops on the northern part of the island rather obviates Mr. Powell's claim that Cyprus is today's 'foreign self-governing nation'". Powell was, however, correct to say that Hopkinson was "standing at a pivotal point in political history, a point where the imperial past and post-imperial present met", and that he deserves "a moment of respectful reflection".

Born in 1902, Hopkinson spent his early life at Dunstons House near Cirencester (he spelt it "Ciceter"), a house which he loved. When it was sold in 1916, he and his two brothers, to whom he was devoted, moved with their parents to London. "For me it was sheer tragedy. I never quite got over it. I felt lost - my roots gone." He had a strong sense of place, a feeling for houses.

From Eton, he went to Trinity College, Cambridge. His half-American mother was determined that Henry should be fluent in French (he was bilingual from the age of two) as he wanted him to go into the diplomatic service. In the examination he came fourth and there were only two places. Luckily there were two withdrawals and he was in.

His first appointment, in 1924, was as third secretary in Washington, where he was private secretary to the ambassador, Sir Esme Howard. Hopkinson was devoted to his chief and his "serene, beautiful and outspoken" Italian wife, Sir Esme he found "the model of the perfect diplomat", with the ability to make all feel equal at home and welcome. In America he met his future wife, Alice Labrousse Eno, whose father, a professor at Princeton

University, had no connection with fruit sales. She was golden-haired, lithe, and had a direct manner which proved a great asset when she campaigned for him at Taunton, where he was first elected MP in 1950.

On their return to London in 1929, two years after their marriage, they rented a house in Belgrave from the Marquess and Marchioness of Wellington and he recalled the latter's passion for mauve: all the sheets, pillowcases, towels, even the curtains and carpets, were mauve. No better corroboration could be found of Sir Edwin Lytton's complaint of what Lady Wellington did to Viceroy's Lodge in Delhi. He called her "a mauve subject".

In 1931 the Hopkinsons were posted to Stockholm. There they met Alexandra Stjernstedt, who married his brother John and was the mother of the late Marika Hanbury-Tenison, the cookery writer, who was devoted to her uncle Henry. They enjoyed the annual feasting on crayfish in August and, for all the lightness of touch in describing his time in Sweden, Hopkinson played a useful part in the great improvement of relations between the two countries which was to pay off in the Second World War.

Returning in 1932 to London, Hopkinson worked as Assistant Private Secretary to the Foreign Secretary, Sir John Simon, whom he criticised for procrastination. Again they were lucky in their marriage, finding a small Queen Anne house in Westminster, a nanny for their son, Nicky, who was to stay with them for 40 years, and their butler, Peachey, from Gloucestershire, who had a sangfroid and a wit to cope with any emergency.

After service in Athens in 1938 came their purchase of Netherdown Hall near Colyton in east Devon in 1939. "The position, the view, the garden, the stables, the farm acreage, and above all, the price, were just right." Tudor-Jacobean, with mullioned windows, it was his "heart's desire". It filled the gap left by Dunstons. Hopkinson owned it for 35 years and it was to have the advantage of being within easy reach of his constituency. Netherdown was the ideal of a country house.

Sir Alec Cadogan, the Permanent Under-Secretary for Foreign Affairs, chose Hopkinson to be his private secretary in succession to Gladwyn Jebb in 1940. Hopkinson's portrait of Cadogan confirms the character of the author of the 1971 *Dianes*: calm, shrewd, and a gentle welcoming smile, and a wit to cope with any emergency. They worked well together until in June 1941 Cadogan recorded, "Henry H. has been recommended as [Oliver Lyttelton's] assistant!"

After service in Athens in 1938 came their purchase of Netherdown Hall near Colyton in east Devon in 1939. "The position, the view, the garden, the stables, the farm acreage, and above all, the price, were just right." Tudor-Jacobean, with mullioned windows, it was his "heart's desire". It filled the gap left by Dunstons. Hopkinson owned it for 35 years and it was to have the advantage of being within easy reach of his constituency. Netherdown was the ideal of a country house.

This really is the limit, but, as a patriot, I must agree to the best man going, to prevent the thing being a flop. But it's the devil, I shall take Lady."

Lytelton was then Minister of State in the Middle East. Peter Losley, tragically killed in 1945, was the star of the Foreign Office, widely tipped by his colleagues one day to succeed Cadogan as Permanent Under-Secretary, which shows how highly Hopkinson was rated - although he himself considered Roger Makins (now Lord Sheffield) "the most brilliant brain of my generation". Hopkinson worked in Cairo for two years, and was then posted to Lisbon, where he was able to help in the negotiations which secured the air-base at Terceira in the Azores, and from there as Deputy British High Commissioner in Italy from 1944 until 1946.

Sadly Hopkinson's 1993 memoir ends with his diplomatic career, so we do not have his account of his period in politics. (He planned a sequel but only two chapters were completed and those dealt with Africa.) In 1946 Sir Anthony Eden, "a much-maligned man", asked him to join the Conservative Parliamentary Secretariat and Research Department, where he found Iain Macleod, Reginald Maudling and Enoch Powell. The four of them were all elected to Parliament in 1950.

Following the next general election in 1951, Hopkinson was given junior office in Churchill's second and last government, first as Secretary for Overseas Trade and then, at the request of Oliver Lyttelton, now Secretary of State for the Colonies, as Minister of State for Colonial Affairs from 1952. On Hopkinson's resignation in December 1955, Eden offered him the Governor-generalship of Nigeria or the post of High Commissioner in Australia, but Hopkinson declined and went to the Lords.

His warm personal support for the Central African Federation led to work for the Joint East and Central African Board from 1960 until 1965. He served as chairman of Tanganyika Concessions from 1966 to 1972. Every year he would travel for three months in Africa, and from his wide knowledge of the countries and their leaders he gained a reputation as an authority on the continent.

Henry Colyton possessed initiative and courage. He was a delightful company, courteous, shrewd, well-informed, winning and, as his memoir reveals, knowledgeable and prepared to point out what may no longer be fashionable. With Lord Chandos, he set high store by good manners and enjoyed an ease and urbanity to the end.

Ian Lowe

Henry Lennas d'Aubigné Hopkinson, diplomat, politician and businessman, born 3 January 1902; CMG 1944; Deputy British High Commissioner in Italy and Vice-President, Allied Control Commission 1944-46; Head of Conservative Parliamentary Secretariat and Joint Director Conservative Research Department 1946-50; MP (Conservative) for Taunton 1950-56; Secretary for Overseas Trade 1951-52; PC 1952; Minister of State for Colonial Affairs 1952-55; created 1956 Baron Colyton; married 1927 Alice Eno (died 1953; one son and one daughter deceased); 1956 Barbara Adams (née Barb); died Monte Carlo 6 January 1996.

Leon Schwab, pharmacist, died Los Angeles 4 January, aged 85. Founded Schwab's pharmacy on Sunset Boulevard, Los Angeles, in the early 1930s. Customers included Charlie Chaplin, Ronald Reagan, Marilyn Monroe and Gloria Swanson.

Paul Lipscomb, actor, died New York 3 January, aged 82. Played lead in *Fiddler on the Roof* on Broadway over 2,000 times.

Roy Farrell

Roy Farrell co-founded one of Asia's most successful airlines, Cathay Pacific Airways, with the Australian Sydney de Kantzow, and was one of the first Westerners to recognise the post-war potential of China as a trading partner.

An American from Texas, he had originally intended to establish a trading company supplying China with badly needed goods at the end of the Second World War. The Roy Farrell Export Company started up in 1945, but had no means of transporting the supplies to China. Farrell therefore bought a US army surplus Douglas Dakota DC-3, called "Betsy", which became the first plane in Cathay's fleet. In 1946 it consisted of 37 aircraft.

The tall Texan had long had a fascination with China after the war. Gavin Young, in his definitive history of Cathay Pacific, *Beyond Lion Rock* (1988), writes: "He had read about a pilot in 1942 he was desperate to join the China National Aviation Company (CNAC) but lacked the required hours of flying experience. With typical determination he solved the problem by buying a rickety

1929 vintage Laird single-engine plane and put in the hours.

The following year Farrell was on his way to India where CNAC had set up a base to supply the nationalist Chinese forces in Kunming and Chungking who were making a last-ditch stand against the Japanese occupation. The supply route, stretching 1,000 miles, involved extremely hazardous flying over the Himalayas, often rising to altitudes of 18,000 ft in non-pressurised and freezing cold aircraft. This was the only way the pilots could avoid the Japanese Zero fighters which inflicted heavy casualties on the men who flew what they called "the Hump".

As he made his 523 trips over the Hump Farrell started thinking of the opportunities which would arise in China after the war. Gavin Young, in his definitive history of Cathay Pacific, *Beyond Lion Rock* (1988), writes: "He had read about a pilot in 1942 he was desperate to join the China National Aviation Company (CNAC) but lacked the required hours of flying experience. With typical determination he solved the problem by buying a rickety

This sort of thing appealed to Farrell. He knew there would be markets in China. "The thing would be to get in early. That's what the fellow in Havana had done."

Very few other businessmen thought this way: they saw China as a hopeless mess, submerged in a civil war with little promise of recovery. But Farrell saw things differently. "I wanted an empire," he told Young. He knew the Chinese were desperate for goods - any goods - decided to found his empire on a consignment of toothbrushes, combs, lipstick and an esoteric assortment of clothing, and then bought the plane to take them to China.

Betsy landed in Shanghai on New Year's Day 1946, after a long flight in which the crew came near to dying. Farrell soon realised that the airport shortage meant that the real opportunities lay rather than in trading. He opened an office in Shanghai and started cargo flights to Australia.

It quickly, albeit chaotically, grew, with second-hand aircraft being pressed into service under a growing team of former

CNAC flyers. An office, in fact a single room, was opened in Hong Kong, which then became the headquarters. The trading company was separated from the airline business which acquired the name Cathay Pacific Airways during a drinking session with some foreign correspondents in the Tropicana Bar of the swish Manila Hotel, in the Philippines.

By 1947 a fledgling airline was taking shape, but the British colonial authorities had decided that airlines were a matter of national security and had to be run by British nationals. Farrell tried to maintain control by reducing his ownership stake but was bluntly told that Cathay would be denied landing rights unless he sold out.

Negotiations with the British flag carrier BOAC fell through, giving John Swire & Sons, which controls what is now the Swire Pacific group, the opportunity to diversify its transportation interests out of shipping. It headed a consortium, including the Australian airline, which bought the airline in 1948.

In his unpublished memoirs Farrell recalls seeing Betsy taking off from Manila on the eve of signing the sale agreement. He had tears in his eyes. He was not an enthusiastic seller but made money from the sale. Some of it went into starting successful airlines in the Philippines and Burma; however, he had more success in Texas oil.



Farrell: "I wanted an empire"

ing off from Manila on the eve of signing the sale agreement. He had tears in his eyes. He was not an enthusiastic seller but made money from the sale. Some of it went into starting successful airlines in the Philippines and Burma; however, he had more success in Texas oil.

Jock Swire, who paid £175,000 for Swire's share in Cathay, called it a "terrifying" business. However his gamble seems to have paid off. Cathay Pacific now has assets totalling some £3bn.

Stephen Vines

Roy Farrell, pilot and entrepreneur, born Vernon, Texas 1914; twice married (two sons); died Vernon, Texas 3 January 1996.

Births, Marriages & Deaths

DEATHS

BUTLOCK: On 5 January, peacefully at Manchester Royal Infirmary, Doctor John Desmond Butlock, beloved husband of Denise and dear father of Annel, Frances and Sarah. Funeral service at Stockport Crematorium on Friday 12 January 1996 at 12 noon. No flowers please. Donations for the Salvation Army may be sent to Malcolm Shaw & Son, 3 Church Street, Marple, Stockport.

Announcements for Gazette BIRTHS, MARRIAGES & DEATHS (Births, Adoptions, Marriages, Deaths, Memorial services, Wedding anniversaries, In Memoriam) should be sent in writing to the Gazette Editor, The Independent, 1 Canada Square, Canary Wharf, London E14 5DL, telephone 0171-293 2011, or faxed to 0171-293 2010, and are charged at £6.50 a line (VAT extra). OTHER Gazette announcements (notices, funerals, etc.) should be submitted in writing (for faxed) and are charged at £10 a line, VAT extra. They should be accompanied by a daytime telephone number.

Changing of the Guard
The Household Cavalry Mounted Regiment escorts the Queen's Life Guard at Horse Guards, 11am. "The Company Colours" (Carriage events) the Queen's Guard, at Buckingham Palace, 11.30am. Only covered by the Scots Guards.

Birthdays

Miss Shirley Bassey, singer, 59; Mr David Bowie, rock singer and actor, 49; Mr Stuart Cameron, former chairman, Callaghan Ltd, 72; Professor Stephen Hawking, mathematician, 54; Lord Hollenden, former chairman, I & R Morley, 82; Mr Andrew Hunter MP 53; The Right Rev Edward Knapp-Fisher, Hon Assistant Bishop, Diocese of Chichester, 81; Air Commodore Joan Metcalfe, former director of RAF Nursing Services, 73; Mr Ron Moody, actor, 72; Mr Robert Pary MP 63; Mr Kenneth Purchase MP 57; Miss Imelda Staunton, actress, 54; Sir Geoffrey Whelan, managing director and deputy chairman, Peugeot Talbot, 60; Professor Alan Wilson, Vice-Chancellor, Leeds University, 57.

Anniversaries

Births: William Wilkie Collins, novelist, 1824; Dennis Yates Wheatley, novelist, 1897; Solomon West Ridge-way Dias Scandaramak, Sri Lankan prime minister, 1899; Elvis Presley, rock singer, 1935. Deaths: Galileo Galilei, astronomer, 1642; John Baskerville, printer and typographer, 1775; Robert Stephenson Smyth Baden-Powell, first Baron Baden-Powell, founder of the Boy Scouts, 1941; Kurt Schwitters, painter, 1948; Choo Eo-lai, Chinese leader, 1976. On this day: The British evacuated

Gallipoli, 1916; Chequers Court was occupied by its first prime minister tenant, David Lloyd-George, 1924; sugar, bacon and butter were rationed in Britain, 1940; Pan American World Airways filed for bankruptcy, 1991. Today is the Feast Day of St Adrian of Canterbury, St Apollinaris the Apologist, St Erhard, St Gudu-la, St Lucian of Beauvais, St Pega, St Severinus of Noricum, Repense, St Severinus of Septempeda, St Thordian and St Wulain.

Lord Mayor of London

The Lord Mayor of London, Mr John Chalmers, and the Lady Mayores, Mrs Chalmers, held a Mayor's Dress Party on Saturday evening at Mansion House, London EC4, for children connected with the City Institutions, the City Livery Companies, the Armed Forces and London Boroughs.

Royal Ascot

The Royal Meeting will take place at Ascot on 18-21 June 1996. The List for applications for the Royal Enclosure is now open and Her Majesty's Representative wishes to draw attention to the changes concerning the issue of vouchers to young people. The age-limit for junior vouchers has been raised to include all those aged between 16 and 29 years. The dates of birth must be stated in the letter of application.

Only personal letters of application will be accepted. Existing Members should apply, as usual, before the end of April. All those wishing to apply for the first time should make an ap-

plication before the end of March stating the full names of those members of their family who require vouchers, together with their date of birth if between 16-29 years. Sponsorship forms will then be sent which should be signed by a sponsor who has been present in the Royal Enclosure for a minimum of eight years. Overseas visitors should apply direct in their Embassies in London. In the Enclosure ladies will wear formal day dress with hat which must cover the crown of the head. Gentlemen will wear morning dress with top hat, or service dress. Applications should be addressed to Her Majesty's Representative, The Ascot Office, St James's Palace, London SW1A 1BP.

Schools

Truro High School
The Spring Term begins at Truro High School on Wednesday 10 January with 420 pupils on the roll. Melaine Adams continues as Head Girl and Jessica Thomas and Rachel Mann as her deputies. The 11+ Entrance and Scholarship examinations will be held on Saturday 27 January. The One Act Play Festival, Victorian Victorians, will be held on 14-16 March. The Confirmation Service will take place in Truro Cathedral on Saturday 23 March with the Bishop of Truro, with the Right Rev Michael Ball OCA, officiating. Old Girls who would like details of the May 1996 Centenary Celebrations and Reunion should contact the Chairman of the Old Girls Association, Truro TR1 2HU.

The following notes of judgments were prepared by the reporters of the *All England Law Reports*.

Children

Re B (a minor); CA (Neill LJ, Bennett J) 21 Dec 1995. The County Court had no power either to require or to accept an undertaking from a mother when making a supervision order, under s 31 of the Children Act 1989, in respect of her child. Elizabeth Gumbel (Matthew Arnold & Baldwin, Wulford) for the guardian ad litem and the local authority; William Holland (Pollards, Bournemouth) for the mother.

Road traffic

OPP v Neville QB Div Ct (Schleeman LJ, Holland J) 4 Dec 1995. The "aisle" part of Heathrow airport was a public place for the purposes of the Road Traffic Act 1988 and the respondent, who knocked down a child on Pier 7 in Terminal 3 whilst driving an electric buggy, could be convicted of driving in a public place without reasonable consideration for other persons using the road, contrary to s 3 of the Act. John McGuinness (CPS) for the appellant; the respondent did not appear.

CASE SUMMARIES

8 January 1996

Social security

Steeve v Chief Adjudication Officer & anr; CA (Brist, Aldous LJ, Forbes J) 7 Dec 1995. An elderly person who elected to continue living in and paying the full cost of her accommodation at a residential home, following the transfer of its ownership and management from the local authority to a voluntary association, thereafter was not a person for whom accommodation was provided by the local authority under s 21 or 26 of the National Assistance Act 1948 or para 2 of Sched 8 to the National Health Service Act 1977 or in circumstances where the cost was borne wholly or partly out of public or local funds, so as to be precluded, by virtue of s 35(6) of the Social Security Act 1975 and reg 4 of the Social Security Attendance Allowance No 3 Regulations 1983 (SI 1741), from claiming attendance allowance under s 35(1) of the 1975 Act and, subject to her fulfilling other benefit criteria, she was entitled so to claim. (Leave to appeal to the House of Lords granted.) John Howell QC (Depts of Social

Security) for the appellants; Roger McCarthy (Sole of Wright CC) for the respondent.

Tax

Glanco Group Ltd v Inland Revenue Commissioners; CA (Lagatta, Millett LJ, Sir Ralph Gibson) 14 Dec 1995. It was not necessary for the Revenue to make a fresh assessment which would have to be within the six-year limit to give effect to a transfer pricing direction by the Board under the Income and Corporation Taxes Act 1970, s 485 (s 770 of the 1988 Taxes Act). Adjustments could be made to corporation tax. The result was that assessments going back many years could be increased in accordance with a transfer pricing direction. John Gardner QC, Jonathan Peacock (Slaughter & May) for Glanco; Ian Glick QC, Michael Furness (Inland Revenue).

Wase (Insp of Taxes) v Bourne; ChD (Anthony Gribbler QC, deputy judge) 22 Nov 1995. A dairy farmer who sold his milk quota nearly a year after the sale of his dairy herd and

the cessation of the farming business was not entitled to retirement relief in respect of the disposal. The milk quota was not part of the dairy farming business within the Finance Act 1985, s 69(2)(a) (now Taxation of Chargeable Gains Act 1992, s 163) but merely an asset which did not qualify for relief immediately before its disposal.

Timothy Brennan (Inland Revenue); John Walters (Cross Ram & Co, Halesworth) for the taxpayer.

Wills

Re Goodchild (decd); ChD (Carnwath J) 13 Dec 1995. If a clear agreement could be found, in the two testators' wills or elsewhere, that they were to be mutually binding (whether or not that was expressed in language of revocation), the law would give effect to that intention by way of a "floating trust", which became irrevocable following the death of the first testator and crystallised on the death of the second. The floating trust so created was not destroyed by remarriage of the second testator after the first's death.

Jeremy Gordon (Roule & Co, Yeovil) for the plaintiff; J.H.G. Sunrucks (Parker Barlett & May, Yeovil) for the defendant.

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business

TODAY

Companies

Official figures for new consumer credit in November from the Bank of England are likely to show a retreat from the previous month's record level. Partial figures already released by the British Bankers' Association suggested as much. Even so, the increase during the month is expected to be around £700m thanks to the availability of cheap credit and a pick-up in spending on the high street. The Bank of Eng-

land will also publish comprehensive mortgage lending figures for November, expected to confirm signs that the housing market is stabilising. The Nationwide and Halifax house price indices for December indicated that prices might have turned the corner. Interests: Calluna, Ellis & Everard, Merchants Trust (Q3), Universal Salvage, Williamson Tca. Finalists: A G Barr, Inspirations, Treant.

Economics

Full monetary statistics including bank and building society balance sheets; final M4 and lending; personal borrowing; public sector funding; money market, sterling commercial paper and medium-term note issue, interest and exchange rates (Dec).

TOMORROW

Companies

The British Retail Consortium today issues its sales monitor.

which will give the first snapshot showing how strong a pre-Christmas recovery retailers enjoyed. The BRC's survey is a new one. It is the earliest indicator of retail activity each month. The consortium represents 90 per cent of the country's retailers. Interests: Bepack, Tomorrows Leisure, Universal Salvage, VHE Holdings. Finalists: French AGMs: Carr's Milling. EGMs: Clayhite, Emerging Markets County, Havelock Europa.

Economics

Advance energy statistics (Nov).

WEDNESDAY

Companies

Dixons Group, the electrical retailer, should celebrate the new year knighthood of its chairman, Sir Stanley Kalms.

with a substantial rise in pre-tax profits at the half-way stage. City analysts are looking for interim profits of £44m against £26.6m last time.

The figures are likely to be accompanied by a buoyant trading report which should include substantial sales increases over what has been a respectable Christmas period. Interests: Sidney C Banks, Ewart, Fleming Int High Income, Ryland Group, Savills. Finalists: Jersey Electricity, M&W. AGMs: Fenner, M J Gleeson, Shaftesbury, UFF Group, Wigmore Property. EGMs: Thomas Locker, Siam Syntech.

Economics

Britain's whole-world trade deficit is expected to have jumped to £1.5bn in October, up from £1bn in September. Changes in the deficit with non-EU countries – especially North America – have driven

the deterioration in the trade position. It has widened to about £900m a month, double its typical level in the early part of the year. The non-EU trade gap reached a record £1.2bn in October, but already-published data show it declined to £96m in November.

Housing starts and completions (Nov): Cyclical indicators. (Dec).

THURSDAY

Companies

Full-year figures from Lomax, which is being radically reshaped by its new chief executive, Dieter Bock, will be watched with interest. The mining-to-hotels combine is thought to be considering plans to break itself into two separate companies. Directors are believed to be studying a proposal under which Lomax shareholders would receive one

share embracing the company's trading and agricultural interests while the hotel business would be sold to reduce the company's debts.

Analysts are looking for pre-tax profits of between £145m and £150m against £112m last year. Meanwhile, Sir Philip Harris's Carpetright – the rapidly expanding carpet group whose low prices and high volumes have helped it snatch a 14 per

cent share of the UK carpet market – is also expected to perform significantly last time. Carpetright is opening new, larger format Carpet Depots with which it hopes to build the group's share to 20 per cent. The first outlet opened in Essex. Thurrock retail park and a further two in September and added. There will be eight by next year and 70 within four years.

Interests: Cassidy Brothers, Coral Products, GGT Group, Jones Stroud (Holdings), Jurs Ltd, Matthew Clark. Finalists: Demmans Electrical, Robert H Lowe, RCO Holdings. AGMs: F&C PEP Inv Trust, Manakin Holdings, Persona Group. EGMs: BDA Holdings, Residential Property, Riverview Rubber Estates.

Economics

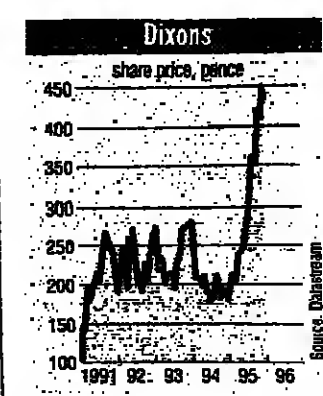
Total industrial production is expected to have rebounded in November after a sharp drop related to mild weather the previous month. A return to

more normal winter conditions will have increased energy output. However, the monthly rise in manufacturing output is likely to have slowed to a snail's pace. The CBI survey for the month showed a significantly lower balance of firms reporting higher output. Deutsche Morgan Grenfell predicts a November increase of 0.1 per cent, taking year-on-year growth rate to 0.4 per cent, lowest since the end of 1993.

FRIDAY

Companies

The CBI's distributive trades survey for December will bring the week's second indicator of retail sales last month, ahead of official statistics due out on 18 January. The survey also covers wholesalers and motor traders. Interests: None scheduled. Finalists: None scheduled. AGMs: Anglo Irish Bank, Lorraine Gold Mines, Perpetual. EGMs: British Land. Company forecasts: NatWest Securities.



share price index

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Source: DataStream

100 200 300 400 500

1991 92 93 94 95 96

Source: DataStream

100 200 300 400 500

1991 92 93 94 95 96

Source: DataStream

Exchange set to decide on Caradon

DAVID HELLIER

The Stock Exchange is believed to be considering what action to take at the conclusion of an investigation into share dealing in Caradon, the building products group, ahead of its results in September.

Although the Exchange stood down an earlier investigation last year, in the past few weeks it has received fresh allegations which have led it to reopen its inquiry.

The latest claims, first reported last week in the *Independent*, involve a possible

relationship between Robert Fleming, the City investment bank, Financial Dynamics, Caradon's public relations firm and one of the City's largest, and the alleged leaking of Caradon's results in advance of their publication.

The Exchange is trying to ascertain whether anyone at Robert Fleming made improper use of privileged information. Heavy trading in the shares on the Friday before the results were due first attracted the attention of regulators. Caradon was the market's most heavily traded stock, with 26 million

shares changing hands at about 210p each in the late afternoon.

At the time, dealers expressed concern over the trades, saying that volume implied that some people were aware of Caradon's poor performance in advance of the publication of the company's figures.

The likelihood that there had been a leak was strengthened when reports that Caradon would unveil disappointing figures appeared in two Sunday newspapers. Caradon brought forward its results and issued a profits warning on the Monday, leading a number of

brokers to downgrade their forecasts. Last week, Robert Fleming conducted its own inquiries but declined to comment. In the early part of the week, three employees were absent from the office. By Friday, one had returned to work, while a second is expected back today.

The employee who returned on Friday explained that he had been writing a research paper at home. He declined to comment on whether he had been subject to questioning during the internal inquiry.

Stock Exchange surveillance sources said last week they were looking into allegations of improper use of privileged information. But it is not clear whether the fresh allegations are backed up by tape recordings or other objective evidence.

An announcement from the Exchange on its intended action could come as early as this week. Among the options, the Exchange could pass the allegations on to officials at the DTI for their consideration. It is possible that the Exchange will decide to take no further action if it is convinced that there is insufficient evidence.

The chairman of Financial Dynamics, Tony Knox, was last month rebuffed by the Takeover Panel for releasing price-sensitive information to a building analyst about an increased profit forecast for Amec, the UK construction group that was attempting to ward off a hostile bid from Kvaerner, the Norwegian concern.

Amec managed to see off the bid and subsequently replaced Financial Dynamics with another PR firm, Dewe Rogerson, after the public rebuke from the Takeover Panel.

At the time of the Amec affair, Bill Staple, the director-

general of the Takeover Panel, was reported as saying that he hoped the ruling would serve as a warning to the entire market that the regulator was determined to clean up the City.

It is thought that Financial Dynamics believes there is a smear campaign under way, and questions the origins of the allegations. It is an especially sensitive time for the firm, as it is in the process of devising a new share incentive scheme to reward key employees and to prevent departures to rival firms. Financial Dynamics had no comment yesterday.

Woolwich considers becoming a bank

NIGEL COPE

Woolwich Building Society is considering plans to convert to bank status and seek a stock market listing, with some sources suggesting that an announcement could be made as early as next week. Woolwich refused to comment on weekend speculation that an announcement was imminent. However, it said it would reveal its intentions by the end of March.

"We are no longer commenting on this kind of speculation," a Woolwich spokesman said. "We are examining various options. If and when there is something to announce we will announce it."

If it does decide to convert to bank status and seek a stock market listing, Woolwich members could receive shares to the value of £680 on average.

The building society sector has been plagued by the wave of "hot money" that has been cascading through the financial sector over the last year as investors try to take advantage of conversion and float plans by opening myriads of building society accounts with tiny balances. Last summer Woolwich increased the minimum deposit required to open an account from £100 to £500, to deter bounty-hunters.

Alliance & Leicester has increased its minimum balance to £1,000 but Woolwich will keep its opening minimum at £500. Speculation has been rife that Woolwich was planning a move to bank status. Some feel the catalyst is the appointment of the new chief executive, Peter Robinson, who took over from Donald Kirkham last week.

Following Abbey National's conversion to bank status, Halifax has announced similar plans while Cheltenham & Gloucester was taken over by Lloyds Bank.

Granada meeting fuels talk of rise in bid price

MATTHEW HORSMAN
Media Editor

Senior managers of Granada were locked in meetings yesterday ahead of this week's crucial final stages of the hostile £3.3bn bid for Forte.

The weekend session fuelled speculation in the Forte camp that Granada was planning to raise its offer - which it must do by tomorrow at the latest under Takeover Panel rules.

But Henry Staunton, Granada's finance director, speaking from a conference room at the company's London headquarters, said a final decision had not yet been made. "We still have a lot to go over, and it makes sense to do so without all the phones ringing."

A Granada spokesman also warned against reading too much into the Sunday meeting. Gerry Robinson, chief executive, who was in touch by telephone but not at work yesterday, "will have to make a decision in the next 24 hours," the spokesman said. "But remember, he is a very hard-nosed manager, and he knows what Forte is worth. If he is

asked to pay more, or if the market seems to be demanding more than a realistic amount, he'll walk away."

City expectations of a raised bid centre on a range of between 360p and 380p a share, compared with the 327p value attached to Granada's initial cash-and-shares offer at market close on Friday. Forte shares last traded at 345p.

Meanwhile, the two camps continued to trade criticisms yesterday over the question of Forte's true value. Leisure analysts at Kleinwort Benson last week suggested that Forte's radical defence plan, which includes an £80m share buy-back, the distribution of the company's shares in the Savoy group of hotels and the sale of its restaurant businesses to Whitbread for £1.05bn, was worth 368p per Forte share.

However, Mr Staunton yesterday disputed the calculation, saying that, on Kleinwort's own assumptions and on the details contained in Forte's final defence document, the figure was 344.5p a share.

He also questioned Kleinwort Benson's contention that the

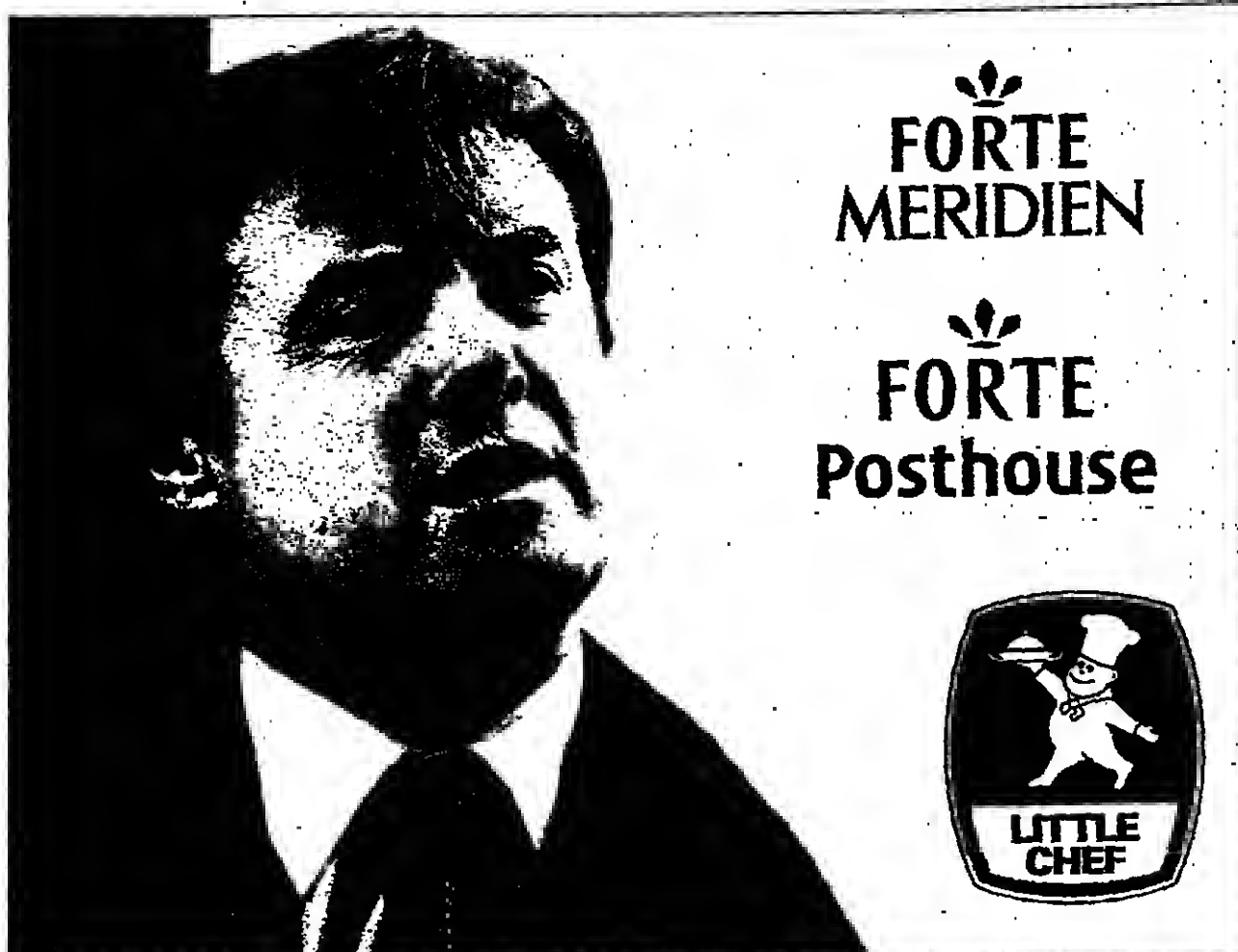
share buy-back could be earnings-enhancing in the year ending January 1998.

Granada's decision is likely to be finely balanced. A raised bid of less than 360p a share is unlikely to secure shareholder support, analysts said. Only an offer close to 380p would be considered a knock-out bid.

But an offer as high as that would be difficult to justify to their own shareholders, Granada insiders conceded.

If it raises the stakes, Granada is expected to publish a detailed analysis of Forte's restaurant and hotel businesses, showing how it could achieve a promised £100m in enhanced profitability. The plan is based on achieving cost savings through centralised purchasing and reduced overheads, and on introducing a new pricing regime at Forte's Little Chef and Happy Eater roadside restaurants. It also plans to increase room rates at Forte's budget Travelodge and mid-market Posthouse hotels.

A meeting with analysts is likely to be scheduled to discuss the profit plan, but only if a higher offer is unveiled.



Eyes on the prizes: Gerry Robinson must decide by tomorrow if Forte's assets are worth an increased offer price

Sears looks at selling two shoe shop chains

DIANE COYLE
and NIGEL COPE

Sears, the retail conglomerate that includes Selfridges and Freemans, is considering a further reduction in its sprawling portfolio, with the Saxe and Curtes shoe shops likely to be sold or converted to other formats. Some analysts expect Liam Strong, chief executive, to make an announcement on Thursday with the company's Christmas trading statement.

Saxe and Curtes are old, underperforming businesses that Sears is keen to dispose of to

concentrate on its new concepts, which include Shoe Express and Shoe City.

Possible buyers include Stephen Hinchcliffe's Facia group which has already bought the Freeman Hardy and Willis chain from Sears. However, it is understood that other buyers have also come forward.

Sears figures are expected to show that, although the Selfridges department store has enjoyed strong sales, other parts of the group have experienced mixed fortunes.

Other figures due this week will show that high street trad-

ing was more buoyant over Christmas than many retailers had dared hope. Dixons, the electrical group, is expected to report a strong rise in profits and a good start to its winter sale. Figures due from the British Retail Consortium tomorrow will show a healthy sales increase. Other data from the Finance and Leasing Association will show that it was a "plastic-happy" Christmas, with more shoppers making purchases with credit cards and in-store charge cards.

The association's members, which represent almost all consumer credit outside the banks and building societies, reported total November spending on plastic amounting to £1.8bn. This was 30 per cent higher than the previous year.

Martin Hall, director general, said: "Our analysis of November spending shows consumers used plastic more this Christmas than ever before."

The FLA says in a report out today there had been a particularly strong increase in instalment credit, up 36 per cent year-on-year to £202m in November. There were also early signs of recovery in consumer demand for cars. Financing for car purchase rose 8 per cent to £251m. The used car market performed particularly well.

This week will bring the first snapshots of retail spending in December. The BRC sales monitor tomorrow will be followed by the CBI's distributive trades survey on Friday. Official retail sales figures for December are due out next week.

Landmark judgment today on pensions

NIG CIGUTTI

Victims of the personal pensions scandal will hear today whether they have lost their right to sue for compensation in court because of a move by insurers to block legal action against them.

A landmark legal judgment will rule on whether some of Britain's biggest insurers, including Prudential, TSB Life and Irish Life, have won a stay of proceedings launched against

them by a Bristol legal firm, Ringrose Wharton.

At stake are the cases of many thousands of pension policyholders who were allegedly misled into personal pensions and who might want to seek redress through the courts.

About 75 cases are immediately affected by today's ruling, being given at Bristol Mercantile Court. Up to 250 more Ringrose Wharton clients, many of them members of the

Royal College of Nursing and the GMB general union, are almost at the stage where writs might be issued.

Experts believe the hearings will determine the future of at least 1,000 more cases being prepared for court hearings throughout the country. Thousands more will be put off from proceeding further if insurers win their stay.

Bill Day, national pensions officer for the GMB, said: "We

hope that the application by the life companies will be thrown out. We can be sure that if it is not, the amount of compensation paid out will be less and fewer people will get it."

Lawyers at Ringrose Wharton took action last year as part of a wider legal offensive against insurers involving several law firms across Britain.

But the insurers argued in court that Ringrose Wharton's clients must wait for the out-

come of the pensions review, launched by City regulators before proceeding with writs against the companies.

The review, announced by the Personal Investment Authority nine months ago, sets out detailed procedures for dealing with individual cases.

Lawyers at Ringrose Wharton believe the stay of proceedings will lead to long delays before their clients' cases are finally dealt with.

New Sunday business paper to seek listing on AIM

NIG CIGUTTI

Backers of a new all-business Sunday newspaper plan to seek a listing on the Alternative Investment Market before the title is launched at the end of March, writes Matthew Horsman.

The newspaper, *Sunday Business*, is the brainchild of Tom Rubythorn, founder and former editor of *Business Age*, which he and his partners sold to VNU, the Dutch publisher, early last year for an estimated £3m. *Business Age* and *Management Week*, Mr Rubythorn's previous publication, developed a reputation for attracting writs.

Mr Rubythorn has secured the help of Williams de Broe, the broking firm, to sponsor a stock market listing.

He and unspecified partners would end up controlling the company, which is expected to have a market capitalisation of about £12m-£15m.

Mr Rubythorn confirmed that the project was under way, but declined to comment further,

adding that an announcement could be made later this month.

According to informed sources, the aim is to publish a single edition of six sections dedicated wholly to business. A special section, *Finance Week*, would be based on *Barron's*, the US investment newspaper.

As well as a weekly magazine, *Business* and *Finance*, each issue would contain a broadsheet news section, with an emphasis on profiles and analysis.

With an initial circulation target of 150,000, the newspaper would be printed at West Ferry Printers, the Docklands operation jointly owned by the *Express*, the *Telegraph* and the *Financial Times*, and distributed by arrangement with Express Newspapers.

The plan is to hire up to 65 journalists, of which two-thirds would come from the trade press. Mr Rubythorn is believed to be canvassing Fleet Street journalists to fill senior positions as soon as possible, with an eye

to producing three "dummy" issues starting in early March.

Headquartered in Cavendish Square, just off Oxford Circus, *Sunday Business* is attempting to buck the trend against start-ups. Its backers believe it will win circulation from the *Sunday Times*, the market leader, and become a "second" read for business people in the competitive Sunday market.

But publishing executives say the new paper will need to develop a unique style and have what one calls "an authoritative voice" to compete against the business sections of quality broadsheets.

"The Sunday papers have huge resources," said David Bell, chief executive of the *Financial Times*. "Any new paper would have to compete head-on with them."

Forecasts call for break-even by the third year of operation, assuming a doubling of advertising revenue between years one and three.

IN BRIEF

Trinity lands £30m Far East order

Trinity Holdings, the specialist vehicle manufacturer, has won orders worth £30m in the Far East. The total includes joint contracts to supply Hong Kong operators with double-deck buses, as well as fire-fighting vehicles in Hong Kong, refuse vehicles for Macau and refuse vehicles and airport tugs for China. Metco, a company subsidiary, has also won orders for a further 200 bus body kits to supply Singapore's leading bus operator, SBS.

UK owner-managers optimistic

British owner-managed businesses are more optimistic about profitability than their European counterparts, with 54 per cent expecting to increase earnings, according to a survey by accountants Grant Thornton published today. Expectations for exporting are also among the most buoyant of European countries.

Retail property sector set to expand

The main growth in commercial property over the next six months will be in the retail sector, according to a Confederation of British Industry-Grimsley survey, published today, with 45 per cent of companies expecting to increase their retail property holdings, and only 14 per cent expecting to reduce theirs. Separately, Richard Ellis, the property developer, yesterday released preliminary figures on the Central London property market, suggesting that take-up of space was only marginally down in 1995 from 1994. A total of 8.71 million square feet were taken up last year, compared with 9.16 million a year earlier.

British Gas poised to fill PR post

British Gas is thought to be on the verge of appointing a new corporate affairs director after a lengthy search. Though the company refused to comment it is believed that John Wybrew, currently corporate affairs director at Shell UK, is the favoured candidate and would join the main board as director of communications strategy and planning. The move, if confirmed, would follow the company's public relations crisis of last year over the pay of Sir Cedric Brown, its chief executive. British Gas said last night that it did not comment on speculation about appointments, but added that the current head of corporate communications, Peter Sanguinetti, was to remain with the company.

Low-tech means higher costs

Shortages in information technology skills add an average of 21 per cent to the costs of British businesses, according to a survey released today by Graham Bannock & Partners, and sponsored by Delphi, the computer company. The survey, conducted among 3,000 of the UK's largest industries, shows that 62 per cent believe the shortages will worsen over the next two years.

Food profits expected to shrink

Profit margins in UK food retailing are set to narrow over the medium term, according to a forecast by Verdict, an industry research group. It blames the combination of spreading price competition and increasing costs. Loyalty cardware alone responsible for shaving half a point off gross profit margins.

| STOCK MARKETS | | | | | | | | | |
|---------------|----------|------------|------------|--------------|-------------|---------|---------|---------|---------|
| FT-SE 100 | | | | | | | | | |
| Index | Close | Week's chg | Change (%) | 1995/96 High | 1995/96 Low | 1994/95 | 1993/94 | 1992/93 | 1991/92 |
| FTSE 100 | 3704.50 | +15.2 | +0.4 | 3715.60 | 2954.20 | 3.88 | | | |
| FTSE 250 | 4071.20 | +49.9 | +1.2 | 4071.40 | 3300.90 | 3.59 | | | |
| FTSE 350 | 1841.40 | +10.8 | +0.6 | 1845.20 | 1482.40 | 3.62 | | | |
| FT Small Cap | 1969.67 | +28.1 | +1.4 | 1993.11 | 1678.61 | 3.17 | | | |
| FT All Share | 1814.39 | +11.8 | +0.7 | 1837.78 | 1469.23 | 3.17 | | | |
| New York | 5181.43 | +84.3 | +1.6 | 5216.47 | 3832.08 | 2.24 | | | |
| Tokyo | 20669.03 | +800.9 | +4.0 | 20669.03 | 14485.41 | 0.731 | | | |
| Hong Kong | 10529.90 | +456.5 | +4.5 | 10573.90 | 9567.93 | 3.531 | | | |
| Frankfurt | 2331.88 | +78.0 | +3.5 | 2331.88 | 1910.96 | 1.921 | | | |

Source: FT Information

| INTEREST RATES | | | | | | | | | |
|--|------|-----------|---------------------|-------------|--|-----------|-------------|------------|--|
| UK interest rates | | | | | US interest rates | | | | |
| Bank of England yield curve 0-30 year gilt (%) | | | | | Federal Reserve yield curve 0-30 year treasury (%) | | | | |
| | | | | | | | | | |
| All yields are market convention | | | | | Source: Merrill Lynch | | | | |
| Money Market Rates | | | | | | | | | |
| 1 Month | | 1 Year | Bond Yields * | | Now Year | Long Term | 10 Year Avg | | |
| | | | Mortgage Annual (%) | | | | | | |
| UK | 6.47 | 6.38 | 7.50 | 8.66 | 7.66 | 8.83 | | | |
| US | 5.50 | 5.50 | 6.08 | 7.87 | 6.05 | 7.87 | | | |
| Japan | 0.58 | 0.72 | 3.02 | 4.74 | | | | | |
| Germany | 3.81 | 3.83 | 6.01 | 7.89 | 6.77 | | | | |
| * Benchmark Indices | | | | | | | | | |
| MAIN PRICE CHANGES | | | | | | | | | |
| Rises - Top 5 | | Price chg | Wk's % chg | | Falls - Top 5 | | Price chg | Wk's % chg | |
| Rossmore | 395 | 41 | 11.6 | Savoy Hotel | 940 | 108 | 10.3 | | |
| Caradon | 218 | 22.5 | 11.5 | Vodafone | 214.5 | 16 | 6.9 | | |
| Arjo Wiggins | 181 | 18 | 9.7 | Amstrad | 185 | 11 | 5.6 | | |

CURRENCIES

Pound vs.

| | Close | Week's Chg | Tr Age |
|-------------|--------|------------|--------|
| \$ (London) | 1.5527 | +0.016 | 1.5645 |
| \$ (NY) | 1.5519 | +0.016 | 1.5645 |
| DM (London) | 2.2319 | +0.077 | 2.425 |
| ¥ (London) | 162.84 | +12.871 | 158.09 |
| £ Index | 83.5 | +0.4 | 83.5 |

Dollar vs.

| | Close | Week's Chg | Tr Age |
|-------------|---------|------------|--------|
| £ (London) | 0.644 | -0.01 | 0.639 |
| £ (NY) | 0.644 | -0.01 | 0.639 |
| DM (London) | 1.4375 | +0.027 | 1.55 |
| ¥ (London) | 104.858 | +11.710 | 99.77 |
| £ Index | 84.4 | +0.4 | 84.1 |

OTHER INDICATORS

| | Close | Week's ch | Tr Age | | Index | Label | Tr Age | Label | Tr Age |
|--------------|--------|-----------|---------|------------|-------|---------|--------|-------|--------|
| Oil Brent \$ | 18.05 | +0.72 | 15.70 | RPI | 149.8 | +3.1pc | 2.6 | 18 | 18 |
| Gold \$ | 396.10 | +9.05 | 375.75 | GDP | 106.5 | +2.1pc | 4.3 | 22 | 22 |
| Gold £ | 255.10 | +5.80 | 240.693 | Base Rates | | -6.50pc | 5.25 | | |



GAVIN DAVIES

'If I were John Major, I would be quite eager to hang around for as long as possible, just in case these pots of money should have a dramatic effect on the mood of the electorate'

Consumer windfall could yet save the Tories

In his interview with David Frost, the Prime Minister again made it clear that he intends to soldier on for an election in 1997. Of course, he has little option but to say that at the present juncture, and he can always change his mind. The obvious difficulties of governing with such a thin parliamentary majority give him a cast-iron excuse to go to the polls whenever he likes. But all the private signs are that the Tories are genuinely preparing for another 15 months in government.

Not everyone thinks this is a good idea. Simon Jenkins argued in the *Times* last Wednesday that such is the disaster in the back-bench ranks, such is the lameness of the governing duck, that the Prime Minister's best chance is to go to the country this summer. If we think only of the politics of Westminster, and particularly of the difficulty of keeping the children inside the nursery, this may be right.

But what about economics? What about that most over-used concept in the political lexicon, the feel-good factor? Simon Jenkins may have reckoned without the succession of large nest-eggs, most of them nothing to do with the Government, which will be jangling into the pockets of the electorate between now and mid-1997. These give Mr Major every incentive to hang on for as long as the Ulster "squirearchy" will allow.

It is universally received wisdom that the consumer has had a lousy time of late. Every politician who retreats from a doorstep says as much. The estate agents who populate the news bulletins have long faces to accompany repeated prophecies of a pick-up in the

housing market "next year". Champagne bartenders report that the vintage years remain in the fridge. Although shopping centres are teeming with people, customers are still said to be "price-resistant". It is tough all round, apparently.

Despite this all-pervasive gloom from the commentators, the reality is already rather different, and is set to become more so. No nation truly short of cash could be spending around £3bn a year on tearing up Lottery tickets – that is the amount the punter "invests", over and above the prize money recycled to the consumer. According to a new study by David Walton and Martin Brooks of Goldman Sachs, expenditure on the Lottery could have depressed the annual growth in retail sales volume by as much as 2 percentage points by the end of 1995. In other words, while the official data was suggesting that retail sales had grown by only 0.7 per cent in the course of last year, the underlying figure may have been over 2.5 per cent. Furthermore, new car registrations by individual purchasers – not included in retail sales – rose by around 6 per cent during 1995. And new mortgage commitments are on the rise again, as are house prices.

None of this rules out a few depressed quarters for output in the UK, since the problem of excess stockbuilding has still to be overcome, both here and in Continental Europe. Even if final demand remains quite strong, output may stagnate as companies supply the consumer off the shelves, instead of from new production. So the growth of output may drop well below the growth of demand for quite a while. However, pro-

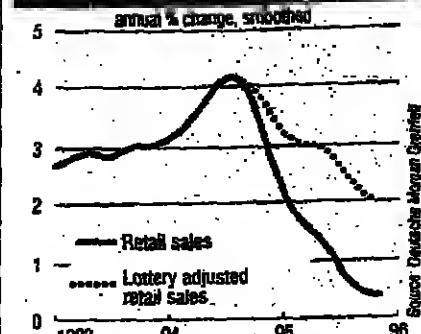
vided that the consumer remains reasonably robust, any setback to production, even if quite sharp, will not last very long. And prospects for the consumer are, if anything, improving because of that series of windfalls mentioned earlier.

Tax cuts are not the main factor here. The Budget last November was generally seen by the Tories as a disappointment, since it added only about £5.5bn to purchasing power in the coming fiscal year. But the Chancellor was perfectly well aware when he decided on his package that several extraneous factors would come to the consumer's aid before the election.

According to Messrs Walton and Brooks, personal income will be boosted by around £1bn this spring when households in England and Wales receive a rebate of £54.60 on their electricity bills following the recent flotation of the National Grid. Further boosts to spending power will come from the takeover of the TSB by Lloyds Bank, and from the Abbey National takeover of National and Provincial Building Society, which together will put more than £1.4bn into consumers' pockets before mid-year.

Then there are the maturing Tesco's to consider. Principal investments worth about £15bn will be unfrozen in the first quarter of 1996. According to recent surveys of investors, much if not all of this will be immediately ploughed back into new accounts, so there will be little effect on consumer spending. But about £3bn of interest payments will also become available, and a good part of this could easily find its way into spending.

Retail sales & the National Lottery



Finally, there is the "biggie", the real consumer jackpot, a money pot large enough to impress Winnie the Pooh himself. This concerns the flotation of Halifax Building Society scheduled for the first half of next year. Rough estimates suggest Halifax could be capitalised in excess of £9bn, all of which would be handed over in shares to individual members.

Since many of these members have never had any intention of owning an equity investment in a financial services company (as opposed to holding an account in one), they will probably sell the shares immediately and spend some of the proceeds. The experience of the much smaller £1.8bn takeover of Cheltenham & Gloucester last year certainly suggests that consumer spending is boosted relative to disposable income when this sort of thing happens.

Even without another penny of tax cuts in the 1996 Budget, and not counting a penny of the principal maturing in the Tesco's, the sum total of these windfalls in the next 18 months is an absolutely staggering £18bn – equivalent to more than 2 per cent of total consumption in the economy over the same period. It is hard to imagine that consumers will not feel better off as this money hits their pockets, though up to half of it would come after the election if the Halifax flotation comes after polling day. (How the Chancellor must be racking his brains to think of a way of influencing the timing of that decision!)

The Bank of England argued in its November Inflation Report that the impact of all this extra money on actual consumer spending may not be very large for several reasons. Households may already have anticipated some of the impact; they are unlikely to translate the whole of a one-off windfall into immediate expenditure; and many of the consumers receiving payments have high propensities to save anyway.

Only to the extent that households are strapped for cash ("liquidity-constrained" in the economic jargon) should this monetary injection be expected to flow mainly into spending.

All this may be true. Certainly, economic theory indicates that an increase in wealth, even if unexpected, should not be immediately and fully translated into extra spending. But if I were John Major, I would be quite eager to hang around for as long as possible, just in case these pots of money should have a dramatic effect on the mood of the electorate.

As her company's truce with the founding brothers comes to an end, Saatchi & Saatchi's chief prepares for the reconstruction

Taking into account the rough with the smooth

At one of the many pre-Christmas bashes for which the advertising industry is justly infamous, Jennifer Laing and Maurice Saatchi literally collided. "How's it going?" Mr Saatchi, Britain's best-known advertising man, asked breezily. Ms Laing, chairman of the London-based Saatchi & Saatchi agency, part of Maurice's former ad empire, was blunt: "You know exactly how things are going."

The comment is revealing, for it shows to what degree Ms Laing's business has been conducted, however unwillingly, in the open: through the press, in gossip sessions around Soho, and even in the stacked pages of lawsuits flying between Mr Saatchi's new agency and the firm that forced him out.

Ms Laing, forthright but with a quick smile and calming line in chat, has spent eight months in the top job at Saatchi & Saatchi, the UK agency that makes up just one part of giant Cordiant, the holding company founded and nurtured by Maurice and Charles Saatchi. It has been an "exhausting" baptism at the head of the Charlotte Street agency.

It was made all the more fraught because of the enduring hostility between the Saatchi brothers and Cordiant, which has been simmering ever since Maurice was forced to step aside in December 1994, following a shareholder revolt. His departure gave rise not only to suits and counter-suits but a constant barrage of bad publicity, engineered in part by a coterie of PR men and "friends" of Maurice and Charles. It was in this climate that Maurice and Saatchi set up a new agency, now called M&C

Saatchi, and quickly poached high-level staff and clients from the hapless Cordiant. Three senior executives led the exodus, and clients like Dixons, British Airways and Gallaher shifted business worth £90m a year to the fledgling competitor.

For its part Cordiant, which includes three global advertising networks including Saatchi & Saatchi Worldwide, struggled to keep aloft, aware that public perceptions are nearly as important as clients in the cut-throat advertising industry. Looking back on last year's battle, Ms Laing expresses not

don't own that name," she insists. "They sold it to shareholders, and became hugely rich as a consequence."

Ms Laing, who looks a tad younger even than the 46 years she admits to lying about, is particularly indignant about what she calls the "most utterly ridiculous misinformation of all": the rumour that she was considering jumping ship herself to join Maurice and Charles. "When I first heard the rumours, I broke out in spontaneous laughter, nearly fell off my chair. It was mischievous, and it certainly started with

year, although she is believed to be in line for performance-related bonuses – promising enough, it is said, to keep her tied to Charlotte Street.

The past year was difficult by any definition. Cost-cutting led to redundancies and a first-half loss after restructuring expenses. The defections of the first half of 1995 also took their toll on staff morale. But Ms Laing insists that the mood and the performance took a decided turn for the better toward the end of the year.

"The company is filled with young, confident people, with passion and belief." She adds that debt reduction and a rights issue have given the holding company a stable foundation.

Account wins also helped to boost spirits, with fresh business coming from long-time client Procter & Gamble as well as first-time accounts from Norwich Union Direct and the Playboy Channel. Cordiant as a whole says new business nearly outweighed the losses on an annualised basis, and looks forward to a better return in 1996.

The company calls for revenue growth of about 7.5 per cent in the year, roughly in line with the expected growth of the advertising market. That compares with about 6.5 per cent this past year, when revenues reached £775m. Margins are set to improve.

"It will be a so-so year," Ms Laing says. "There is still a lack of real confidence in the market." And her favourite Saatchi catchline for 1995? The "Tertle beer slogan, of course. 'Bike the rough with the smooth': as good a summary of Ms Laing's year as any."

Matthew Horsman

THE MONDAY INTERVIEW JENNIFER LAING

rage but exasperation. "Their attitude is sad for us and sad for them. I am, to be truthful, a little tired of all the mis-information. It's the sort of thing I haven't come across before. These are, after all, my ex-colleagues, my friends."

She dismisses talk that M&C Saatchi will move to poach more Cordiant clients, following the expiry on 1 January of a truce between the two sides reached last May. The agreement prevented M&C Saatchi from approaching Cordiant's clients and staff.

"It's really easy to be myopic but you must remember that our business is global," she says. "We are a global brand competing with a small local agency called M&C Saatchi. Everyone else – that's the business. But we are so much bigger."

Nor will she let go of the name "Saatchi," despite suggestions that Maurice would like to have it to himself. "They

M&C Saatchi." To many industry observers, the rumours made some sense. Ms Laing started her advertising career in 1969 as a graduate trainee at Saatchi, rising through the ranks with her work on such accounts as Schweppes.

A two-year stint at Leo Burnett was cut short in 1981, when the then-chairman of Saatchi & Saatchi, legendary spin doctor Tim Bell, lured her back with a red Ferrari. She decamped again in 1987 to start her own agency. But when, in March, she agreed to rejoin Saatchi, she said that she was like a piece of Brighton Rock. "Cut me open, and you'd see the words Saatchi & Saatchi."

So why not rejoin Maurice? "Just think about it a minute," she says. "I am chairman of Saatchi & Saatchi (she insists on the 'chairman'). What kind of senior position could Maurice offer me?"

Her new job pays a less-than-extravagant £175,000 a



Brighton Rock: Jennifer Laing looks back not with rage but with exasperation

Photograph: Jane Baker

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Electric cars glide onto horizon

For electric car enthusiasts it has been a confusing few weeks. First came the gloomy news from California that regulators were bending to pressure from Detroit and withdrawing a five-year-old provision demanding that, by 1988, at least 2 per cent of all cars offered for sale in the state by large manufacturers should be battery-powered.

But then, almost out of the blue, comes General Motors with the EV1, destined to become the first commercially available car designed from scratch to be electric-powered.

It has been five years since California's Air Resources Board announced the zero-emissions mandate, which seemed to guarantee that electric cars would come off the drawing boards and onto America's freeways by the end of the millennium whether the manufacturers liked it or not.

Itself driven by impending clear-air standards set by Washington, the board set three targets. By 1988, 2 per cent of cars sold would have to be electric, rising to 5 per cent by 2000 and 10 per cent by 2003.

The requirement would have meant that even by 1988, a minimum of 20,000 cars in the showrooms of California would have had batteries under their bonnets and not cylinders.

Clean-air regulators were having doubts when GM produced a bolt from the blue

York and Massachusetts have adopted identical regulations. The California Air Resources Board has a record of getting its way in the car industry, for instance in forcing the pace of the adoption of catalytic converters and lead-free petrol. The strictness of the federal anti-pollution standards requiring states to reduce dramatically the levels of fossil-fuel emissions has also provided a powerful incentive to stick to its guns against car industry protests.

A dose of reality seems, however, to have had its effects on the regulators. In recent days, board officials have indicated that they will shortly withdraw the 2 per cent mandate for 1988 on the grounds that the technology for electric cars is not as advanced as has been hoped five years ago. But the 10 per cent sales target for zero-emission vehicles for 2003 will stay.

The retreat has angered environmentalists. Others argue that to force electric cars onto the market when they are not yet attractive or practical would be counter-productive.

The essential problem is one of power, or lack of it. With current lead-acid battery technol-

ogy, owners would be lucky to get 80 miles out of their electric cars before girdling to a halt. The range can be shorter depending on conditions. In heavy traffic or cold weather the cars cannot make it that far. Moreover, battery-powered cars tend to lose much of the energy levels in idling.

And luxuries beloved by American consumers in particular – electric windows, heated seats and air conditioning – would drain the batteries further.

No wonder there was widespread surprise last week when General Motors, which was at the forefront of the lobbying campaign against California's emission-free mandate, pulled the wraps off the sleek-looking EV1. The two-seater is derived from the "Impact" electric saloon that GM first promised in 1990 to put into production but later abandoned.

The company said it was ready to begin production at a Lansing, Michigan, plant immediately and that the car would go on sale this year in California and Arizona with a price-tag in the mid-\$30,000s. GM dismissed suggestions

of a contradiction between the EV1 and the California ZEV regulation and its unveiling of the EV1.

"We didn't think there were enough buyers out there to satisfy the mandate, but we believe there's an emerging market," the company said.

Now all eyes will be on the EV1 to see how it fares. Equipped with a familiar lead-acid battery, it has an advertised range of 90 miles. It also boasts power windows and full air-conditioning.

Its future may depend on how many consumers are sufficiently committed to petrol-free travel and want to make a public statement about it on the road.

Meanwhile, GM is working with others on new nickel metal hydride batteries that promise to deliver twice the range of cars fitted with lead-acid batteries. Last week also saw the opening of a first recharging station for electric cars.

In the meantime, all three states that have opted to try to regulate electric vehicles onto the road, California, New York and Massachusetts, still have in place the goal of 10 per cent of all cars offered for sale in 2003.

Whatever the success of the EV1, to most cynics this would seem like a wildly optimistic target. This is America, after all, the country that taught the rest of us how to guzzle gas.

David Osborne

VIEW FROM NEW YORK

news

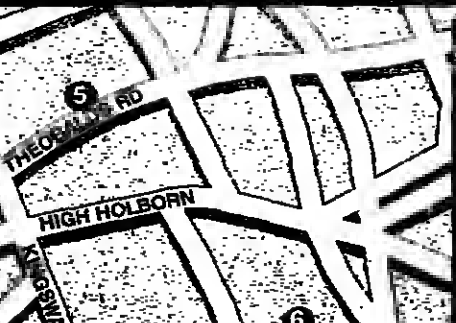
Rare opportunity to acquire: The buildings weeded out of the Government's property portfolio



1 Never was for sale: Old Admiralty
Address: Whitehall.
Owner: Ministry of Defence.
Key Facts: Built 1725, the Napoleonic wars were played in the boardroom; Britain does not have an Admiralty any more.
Estate Agents' Selling Point: Nelson's body lay in state here.
Possible Use: Millennium national heritage son et lumière re-enacting key moments in British imperial history.



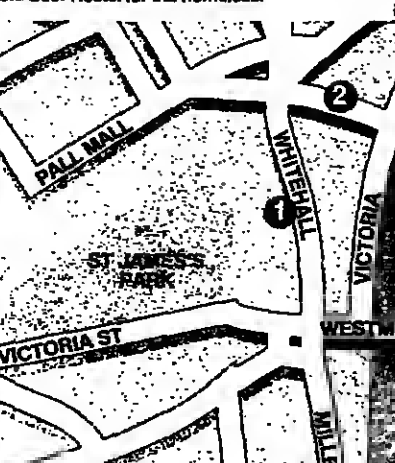
2 For sale: Metropole Building
Address: Northumberland Avenue.
Owner: Ministry of Defence.
Key Facts: The former Hotel Metropole was acquired by the War Office after the war, now empty.
Estate Agents' Selling Point: Trafalgar Square and Charing Cross station on doorstep.
Possible Use: Hostel for the homeless.



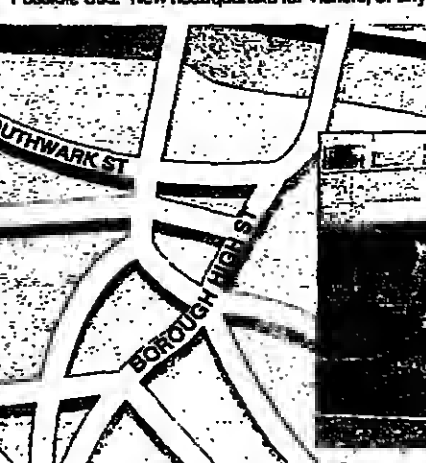
3 Admiralty House and Lacon House
Address: Theobalds Road.
Owner: Ministry of Defence.
Key Facts: Two big, solid grey-stone office blocks which look as though they might be headquarters for various mysterious security services, but are actually occupied by the relatively uninteresting Procurement Executive, waiting to move to Abbey Wood, near Bristol.
Estate Agents' Selling Point: Ideal corporate headquarters buildings.
Possible Use: New headquarters for Vickers, or anybody else selling arms to Saudi Arabia.



4 Sold: Neville House
Address: Victoria.
Former Owner: Ministry of Defence.
Key Facts: Vacated by the Procurement Executive and sold in June 1993.
Estate Agents' Selling Point: Close to Victoria Station and all amenities.
Possible Use: Ticketing information house for host privatisation railway.



5 Sold: Alexander Fleming House
Address: Elephant and Castle.
Former Owner: DHSS.
Key Facts: Designed to work in and look at, therefore won architectural awards.
Estate Agents' Selling Point: Conveniently situated at transport hub equidistant from the City and West End.
Possible Use: Education of trainee architects.



6 Sold: Fleetbank House
Address: off Fleet Street.
Former Owner: Ministry of Defence.
Key Facts: Home of some of the spookier parts of the Ministry's Internal Security Services.
Estate Agents' Selling Point: Close to Law Courts.
Possible Use: Solicitors trying to break barristers' monopoly.

Graphic: Jim Pavlidis

History for sale, one careful owner

JOHN RENTOU
Political Correspondent

The Admiralty Arch may have been taken off the market even before it was put on, and the sale of Old Admiralty - which provoked apoplexy among the Royal Navy hierarchy - may never have been contemplated, but the "For Sale" sign has gone up over large slices of Whitehall.

Not only is much of the rest of the Ministry of Defence's real estate up for sale, but this month also sees the close of bids for Her Majesty's Treasury. The sale of the Treasury building, in Great George Street, prompts responses as incredulous as Admiral of the Fleet Lord Hill-Norton's reaction to the possible sale of Admiralty Arch.

Lord Hill-Norton, a former Chief of Defence Staff, called Michael Portillo, the Secretary of State for Defence, a "little creep", and John Major seized

the chance to appear to slap down the chief hate figure for potential defectors among moderate Conservative MPs. The Prime Minister "made his views known" and a statement was issued on Friday saying the Government had "no intention" of selling the Arch.

Of the Treasury sale, a Labour MP said: "They're not just selling the family silver, they're selling the box it's kept in." The two short-listed bidders have until the end of this month to submit their tenders for the prime site, overlooking the Houses of Parliament. They will buy the listed building, refurbish it to modern office standards, and then lease part of it back to the Treasury. The surplus will be let commercially. A Labour Party official commented acidly: "That's what the Tories said was an outrage when Labour councils did it, isn't it? They're selling it off and then leasing it back."

The Ministry of Defence, meanwhile, has a huge amount of surplus property all over central London which it has found it difficult to sell because the property market has been flat. A series of prime sites, including two in Northumberland Avenue, off Trafalgar Square, Admiralty House and Lacon House in Theobalds Road, Holborn, and the Empress State Building in Earl's Court, all stand empty, awaiting sale. But the Ministry has recently sold six properties in Holborn, Oxford Street and Fleet Street.

The old Department of Health and Social Security building, Alexander Fleming House, at Elephant and Castle, south of the Thames, was returned to its landlord a week ago. Evil monstrosity or award-winning example of modern architecture, the Government is glad to have it off its books.

The driving force behind the sales, which are transforming

the physical appearance of central government, is a revolutionary change which comes into effect in three months' time. In April, Whitehall departments become responsible for their own property. Previously, office space was run for them by the Property Services Agency, an inefficient branch of the Department of the Environment, which took over direct control some years ago.

This has focused attention on the 7 million square feet of empty office space, equivalent to two Canary Wharf towers, which costs the taxpayer at least £100m a year.

The other big factor behind the unprecedented game of "musical buildings" which government departments have played in recent years was the decision to demolish the three giant towers on Marsham Street, which blight the skyline around Westminster Abbey. As a result, the Department of

Transport has already moved to a brand new leasehold block across the road, while the Department of Environment itself will eventually move into Ashdown House and Eland House, government offices yet to be refurbished in Victoria Street.

When departments have to pay the full cost of their premises, many more may try to sell off historic parts of the nation's heritage and decamp into ordinary leasehold offices - as well as looking again at how many civil servants really need to be in SW1. Docklands in east London, having accommodated most of Fleet Street, could take

some of Whitehall on board too.

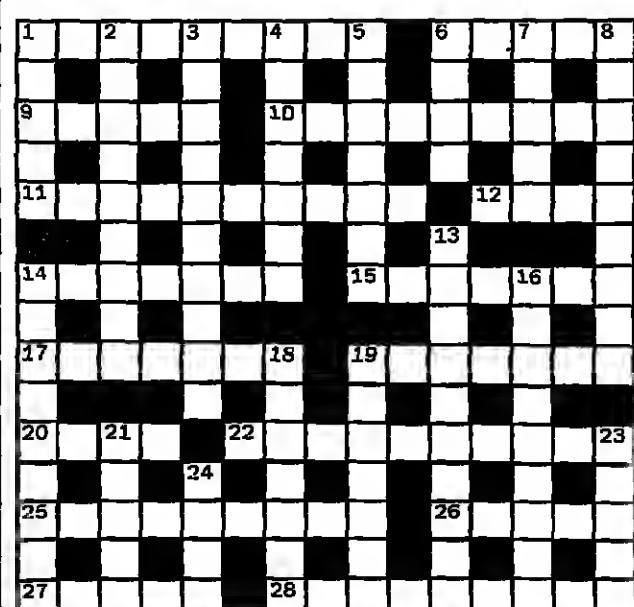
But resistance to the sale of "heritage" buildings to the private sector could act as a brake. Although the Department of the Environment, acting for the Ministry of Defence, denied that there were plans to sell the Old Admiralty buildings at the top of Whitehall, the idea appeared to have been floated alongside the "review of options" for the Admiralty Arch, which connects Trafalgar Square to the Mall and has the best view of Buckingham Palace. But retired brass spluttered about "the room in which the Napoleonic wars

were planned" were enough to rule it out of court. And the Government has run into trouble selling the Royal Naval College in Greenwich, with the University of Greenwich the only serious bidder.

It is, of course, grossly unfair that Michael Portillo should carry the blame for the chill wind of market disciplines blowing down Whitehall. Admiralty Arch does not belong to the MoD now, and the new rules of departmental accounting were actually announced two years ago by William Waldegrave, from the opposite wing of the Tory party.

THE INDEPENDENT CROSSWORD
in association with

No. 2877, Monday 8 January



- ACROSS**
- Fruitful source of information? (9)
 - King from Mediterranean island's powerless (5)
 - I catch many inside coastal water (5)
 - Case made for ministerial responsibility (9)
 - Occasion to reward a good worker (4,4,2)
 - Face swarm that's returned (4)
 - Plain song one got into be-

- DOWN**
- Medal grabbing one in action (5)
 - Softest aluminium and leave it misshapen (9)
 - Endeavour to be firm (10)
 - Admit to being dated - there's no way round it (7)
 - Fellow accepting nasty person is not predictable (7)
 - Box made of copper with keys attached (4)
 - About to take in kind German poet (5)
 - Old-fashioned cricketer's mistake that is soon rectified (5,4)
 - No longer in position that's unsuitable (3,2,5)
 - It's not bound to be a hard read (9)
 - Artist's strange tale written in verse (9)
 - Behaves harshly towards family member (4-3)
 - South American country having problem about rainfall (7)
 - Trainee who is not always at ease? (5)
 - Sweet kind of stuffs we're told (5)
 - Tease diminutive Jewish leader (4)

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